keltbray Group

ANNUAL REPORT & CONSOLIDATED FINANCIAL STATEMENTS
2019

INNOVATION IN ENGINEERING

who we are

The Keltbray Group is a **leading UK specialist engineering and construction business**, offering a range of **self-delivered solutions** for blue-chip public and private sector clients. Services include design, engineering, construction, demolition, decommissioning, remediation, rail, environmental services and structural solutions. We are a key player in **developing and maintaining Britain's built environment, operating in highly regulated sectors and transforming major infrastructure** across the UK.

Our clients trust in us to deliver certainty on their projects - to a high standard, safely, on time, within budget and with care for the environment and our communities. Our deep expertise means that we offer clients **stand-alone or fully integrated services**, to meet the needs of diverse and complex projects.

Our in-house capabilities demand significant investments in the training and development of our people, as well as our fleet of specialist plant and technologies. It focuses our business on **innovation and excellence** to provide value to our clients.

keltbray

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key performance highlights

FINANCIAL PERFORMANCE

Highest ever revenue performance delivering profitable trading despite continuing market uncertainties

ANNUAL TURNOVER

£563m

Up 41% on previous year, reflecting the competitive advantages of diversification in the project portfolio

GROSS PROFIT

£71m

Strong gross profit performance despite macro-economic and political uncertainties

OPERATING PROFIT

£13.5m

Full-year operating profit at the high-end of forecast guidance

NET FUNDS

£41m

Maintained net funds position with strong investor support for our diversified strategy

ORDER BOOK

£257m

Group order book maintained strength in value and quality

SUSTAINABILITY PERFORMANCE

Improved performance reflecting greater focus and investment in strategically important client areas

9yrs

RoSPA Gold Safety Award for 9th consecutive year

76,000hrs

of training delivered in 2019

66%

of our work each year is repeat business

87%

of our projects are delivered jointly by two of more of our businesses

30

industry bodies and groups supported by Keltbray

£1.1m

awarded in grants to Keltbray for Innovation projects



"The world is experiencing unprecedented change, driven by a number of inter-related global trends that are forcing modern society to fundamentally rethink the way the built environment is funded, designed, constructed, operated and maintained.

In the current economic climate, clients and funders are demanding ever greater value for money - while at the same time raising the threshold for speed and quality of delivery. Never have things been more competitive. Innovative delivery is the key to building a sustainable future.

For Keltbray, the imperative for change is a constant – not least from within. Our natural ability to challenge conventional thinking, creates the 'Can Do' culture that has come to define us.

Seizing on the strength of our engineering expertise, talented and committed workforce and self-delivery capabilities, we are taking advantage of new technologies to drive 'Innovation in Engineering'."

Brendan Kerr
Owner and Executive Chairman
7 July 2020

chairman’s statement



I am pleased to present our Group Annual Report and Consolidated Financial Statements for the year ended 31st October 2019. In another year of turbulence for the construction sector and the wider economy, compounded by the uncertainties created by the UK Government's protracted withdrawal from the European Union, Keltbray delivered creditable operational and financial performances across all of its business divisions. This outcome clearly demonstrated the value of our talented workforce, client-centric diversification strategy and integrated delivery model.

SAFETY AND SUSTAINABILITY

This is my first message as Executive Chairman and I am particularly pleased that the Group has continued to place great emphasis on driving our 'Serious about Safety' strategy to eradicate major injuries from the workplace. Our commitment to embed health and safety at the heart of our culture and decision-making processes once again paid dividends, culminating in a RoSPA Gold Safety Award for the ninth consecutive year.

Together with the safety and wellbeing of our people, our primary sustainability objectives are to minimise our carbon footprint by reducing waste to landfill, optimising efficient energy and materials resources, and engaging proactively with the communities where we go to work. During the financial year, we made good progress on all fronts, and these achievements can be viewed in more detail in our recently published Sustainable Business Report.

GROUP PERFORMANCE

During the full year 2019, Keltbray delivered another resilient overall performance, generating good levels of cashflow, earnings and secured work. We also continued to make progress against our strategic mission to become the UK's leading provider of innovative build and infrastructure engineering solutions that generate value to our clients, our stakeholders and our environment.

The Group reported record turnover of £563 million, up 41% on the previous year, reflecting the competitive advantages of diversification in the project portfolio at a time of unprece-dented investment hesitancy.

Gross Profit increased to £71 million, benefiting from our commercial discipline and delivery certainty.

The Group's order book stood at £257million and was maintained in the year through the replenishment of our pipeline of secured work, with 66% being generated from existing clients as repeat business, lowering the cost of acquisition and driving gross margin improvements at the project delivery level.

The Group continued to focus on improving the cost efficiency of its operations, benefiting in the year from cost containment measures driven through the 'Engineering our Resilience' programme. These decisive steps have helped to strengthen our balance sheet and allowed a continuation of our longer term strategic investments.



STRATEGY

Despite the current uncertainties, the UK infrastructure markets are set to grow and develop rapidly, with increasing demand for innovative solutions to upgrade, enhance and decarbonise the nation's strategic infrastructure, particularly in the transport and utilities sectors. This creates a significant opportunity for our business and we are well placed, with our range of integrated services, to benefit from these market dynamics. Our strengthened balance sheet will enable us to capitalise on these and other high value opportunities, while further refining and enhancing our organisational fitness through the application of innovative new approaches at all levels of the business.

Construction markets are cyclical by nature and this places margin pressure on particular areas of our business as investor confidence peaks and troughs with market sentiment. However we see attractive adjacent markets that are growing consistently and that we believe offer convertible opportunities over the medium term in built infrastructure sectors like defence, aviation, transport including highways and rail, ports and marine, residential, and water utilities.

Therefore we will seek to further broaden and deepen our service offering into targeted areas of the public sector and regulated customer markets. Our private ownership structure; reputation for the safe delivery of high quality engineering services; innovative, can-do culture; and deep relationships and capabilities in our core markets gives me every confidence that the Keltbray brand can expand its presence into these new, attractive infrastructure segments, while continuing to develop and drive business growth in our core markets.



OUTLOOK

As I write this statement, the current trading period has been dominated by the outbreak of the Covid-19 Pandemic, creating extraordinary challenges for the global economy. We continue to take measured action to protect our people and resource the organisation to appropriate levels of demand. I want to assure you that these necessary actions place us in a strong position to re-scale our operations as we see normal trading conditions return.

Since the year-end we have also appointed Darren James as the Group's new chief executive officer. His recruitment demonstrates the long term ambition The Board shares to transform Keltbray into a beacon of engineering excellence in the UK construction and infrastructure sectors, alongside targeting selective international markets that share the characteristics of our core UK markets.

His leadership and operational strengths, together with his experience of being involved in industry-wide and governmental related forums make him a key asset, and I know he is the right person to lead Keltbray through the next stage of its development to unleash our potential. Under his stewardship, the senior leadership team will work together to review and evolve the strategy for the Group, for which they will have full accountability for delivery.

Whilst Darren and his executive team intend to enhance our strategic offering and diversify into new markets, at the same time he will be prioritising the improvement in the range and level of our services for our current valued clients. The business was founded on this ethos and we are both keen to see that continue and grow.

SUMMARY

In closing, I am in no doubt that Keltbray has the strategy and capabilities to navigate its way through the current challenges, while transforming its approach and securing significant new work that meets our stringent financial targets. We will further evolve our client relationship management approach to more closely align our activities with their changing needs, supporting a step change in our project delivery performance and a greater focus on higher margin activities.

Finally I want to thank my senior leadership team and all our employees who share our mission and values, and directly support our business through their unwavering commitment to delivering certainty for our stakeholders. Our continuing focus in the year ahead, is to quickly rebound operationally and continue to drive our strategy implementation, which has already provided resilience and is opening us up to significant new value streams.

I am continually grateful to our clients, suppliers and other significant stakeholders who support Keltbray and provide us with exciting opportunities to make a real and positive difference to the built environment and the people who depend on it during these increasingly complex times.

Thank you and stay safe.



Brendan Kerr
Owner and Executive Chairman

operating review

GROUP REVIEW

Keltbray's continued diversification into higher value market sectors, where our engineering expertise and integrated delivery capabilities create greater value for clients, has underpinned our growth over the last 12 months. Prior years' investments in our delivery platform, augmented by strategic acquisitions has positioned the Group well to benefit from increased infrastructure investment over the next 5-year period. We saw tangible evidence of this in the year with a number of key project wins in the higher value sectors we are targeting.

Our business model is predicated on the establishment of long-term relationships and early stage client engagement.

By working together from the earliest opportunity as an integrated project delivery team, we are able to deploy the benefits of our integrated delivery approach and internal supply chain, delivering greater certainty for all project stakeholders.

We continued to maintain our focus on driving greater performance and control into all our delivery activities during the year. Recognising the continuing pressure on margins in a predominantly lowest cost-driven market environment, we took decisive action through the 'Engineering our Resilience' programme to ensure client focus remained at the heart of everything we do. We continued our smart diversification approach, introducing greater selectivity into our opportunity pipeline to ensure we only pursue work that meets our strict value criteria.

At the same time, we reviewed our cost-to-serve activities to ensure we were maximising the use of our resources, and allocating capital where it generated the greatest returns for the Group. This resulted in the decision that a very limited number of our smaller delivery 'outposts' should cease trading, so we could direct resources into areas that had greater value creation potential.

Our people remain the lifeblood of Keltbray, and for this reason we continued our long-standing commitment to invest in them directly through training and development, as well as the technologies and equipment they rely on to be safe, efficient and effective in their roles. We launched a new training catalogue that offers a more targeted approach to skills enhancement, providing our people with the specific training they need to build their skill sets and increase their productivity – this helps cement our reputation as a 'can do' organisation.

As part of the Group's long standing commitment to invest in innovation to drive industry transformation, Keltbray Group and City University of London were awarded funding by Innovate UK for a Knowledge Transfer Partnership (KTP) associated with advancements in deep foundation design and construction. This followed on from the collaboration agreement between City and Keltbray to develop innovative technical solutions to create efficiencies in the design and construction of foundations. The intention is to develop a cutting-edge solution that has the potential to revolutionise the piling industry, and in turn support the UK Government's Construction 2025 objectives to reduce construction programme lengths and costs, while lowering greenhouse gas emissions.

The Group also launched a new business service in the reporting period - Keltbray Extended Reality (KXR) – to provide technologies such as Virtual Reality, Mixed Reality and Augmented Reality. The specialist team will deliver state-of-the-art extended reality software solutions across Keltbray Group as well as to external bodies and clients to support business development, project management and training.

Keltbray also continued to 'punch above its weight' during the reporting year, receiving strong industry recognition for the safe and sustainable delivery of its high quality engineering services, and the history of innovation it has become renowned for. Amongst the many external awards, stand-out recognition included: a RoSPA Gold safety double award win for Keltbray Rail and Aspire, having won the award four times previously; the Construction News Training Excellence Award; the prestigious Construction News Specialist Awards' Innovation of the Year for rail innovation in mobile elevated work platforms; and finally, Keltbray Rail's Crossrail team won the Project's Green Apple award for its 'Eco-Village', an innovative, environmentally sustainable welfare facility.

The Group was placed second in The Construction Index's ranking of the Top 20 Specialist Contractors in the UK, and 38th in the Construction News Top 100 UK Contractors based on 2018 Group turnover.



SPECIALIST CONTRACTING SERVICES (SCS) REVIEW

The Specialist Contracting Services (SCS) division is the UK market leader in demolition, groundworks and piling operations, and alongside fellow subsidiaries, Keltbray Structures, Wentworth House Partnership and Keltbray Plant, provides a comprehensive range of integrated self-delivery engineering solutions, including reinforced concrete structures, temporary and permanent structures design, sheet piling and asbestos removal.

The business differentiates its offering through the provision of a highly specialised integrated delivery capability, adopting an innovative approach that delivers certainty for clients on some of the most complex and challenging engineering projects across the UK.

SCS posted revenues of £396M for the full year, up 39% on the previous trading year. In the same period, SCS won a range of prestigious projects across a variety of sectors, many with existing clients, illustrating the strength of the business' focus on forming long term partnerships. Notable amongst many significant wins was the early works contract for the complex town centre scheme at Elephant and Castle as part of a major regeneration programme for the area. Other wins included the Nova East project for strategic client Landsec (Land Securities Ltd.), 6-8 Bishopsgate for Stanhope and Mitsubishi, and the UCL Institute of Neurology contract for University College of East London.

On the operational front, Keltbray's SCS business unit continued to deliver services on phase three of ***the redevelopment of Battersea Power Station*** - a major residential complex that will sit alongside the west end of the power station. It also delivered major piling at the ***Landsec Nova East, London Victoria Development***, employing a number of innovative sustainability measures to reduce carbon impact during the construction phase, including installation of what is believed to be London's deepest pile – a first for the UK industry.



Keltbray Decommissioning was appointed by the energy company Scottish and Southern Electricity (SSE) as its principal designer and contractor for ***two major power station demolition schemes at Ferrybridge and Slough***. Activity in the year included a spectacular 'blowdown' of five landmark 114 metre-high draft cooling towers at the former 2,000 megawatt coal-fired Ferrybridge Power Station in West Yorkshire, which was conducted in a safe and controlled environment to minimise impact on the surrounding landscape. The contract will employ a 160-strong specialist engineering team on the asbestos removal and demolition works.

Keltbray Remediation developed ***an innovative geotechnical approach at Worthy Down near Winchester***. The business has been working there since 2015 as part of its largest contract for Tier 1 contractor, Skanska, at the £280 million Wellesley development, which will provide a new training college for the Ministry of Defence.

Keltbray continued delivery of its contract with the Ferrovial / Laing O'Rourke joint venture (FLO JV) to ***treat contaminated material arising from seven shaft sites used for the new Thames Tideway Super Sewer***. By using its own wharf facility to accept hazardous and non-hazardous material from the shaft sites, Keltbray was able to develop sustainable technological practices and ensure the treatment was eco-friendly. To further minimise environmental impact and cost, Keltbray has developed a remediation technique that reduces the need to export and import large volumes of material for this contract. This involves materials management of over 60,000 m^3 of the excavated non-hazardous construction waste (enough to fill 500 double decker buses), which is being beneficially reused in non-construction areas on site. In total, Keltbray received, treated and recycled all the waste soil from the project.

The Keltbray team working on High Speed 2 (HS2) hit a significant milestone in the year, as they ***lifted out the 26th and final truss from the former carriage sheds at Euston***. The truss was the final element of structural support to be removed and – more significantly – marked the second major achievement of Keltbray's current engagement on the HS2 project; the first being the demolition of the National Temperance Hospital building.

Since the year-end, Keltbray Piling achieved a new landmark for the UK construction industry by ***installing the first ever permanent works pile using a zero cement concrete, Cemfree***. Working for Taylor Wimpey on its new housing development in Mount Pleasant, London, Keltbray installed a secant wall and bearing piles for main contractor Bouygues. The material, developed and manufactured in the UK, is an ultra-low carbon alternative to traditional cement concrete. It has all the structural characteristics of traditional concrete and is more sustainable as it is more resistant to chloride ingress and requires fewer construction joints and less crack-control steel when used within key structural elements.

During the year Keltbray Specialist Contractor Services (SCS) ***won a prestigious International Safety Award with a Distinction from the British Safety Council*** in recognition of its commitment to keeping its workers and workplaces healthy and safe during the 2019 calendar year.

Similarly, Keltbray Group was ***named as the top European demolition specialist in the Demolition and Recycling International (D&Ri) 100 list in 2019***. The D&Ri Top 100 is a prestigious international contractors' league table that looks at the leading contractors by turnover. Keltbray was also ranked first in the Top 20 Contractor Companies in Europe for the second consecutive year in the same index.



INFRASTRUCTURE AND RAIL REVIEW

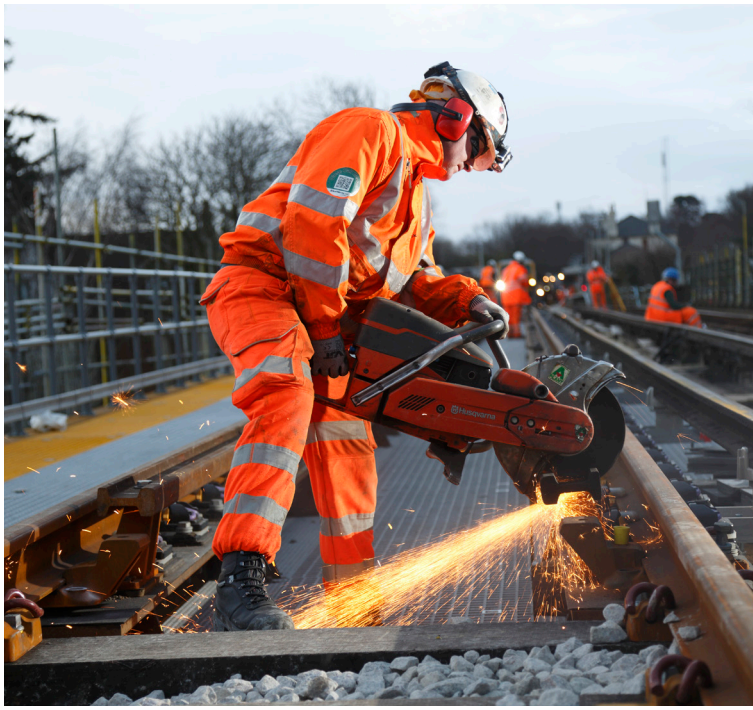
The Infrastructure and Rail business stream operates primarily on key transport and utilities infrastructure engineering projects and frameworks across the UK.

The rail civil engineering business unit carries out a significant number of framework contracts for Network Rail (NR), with a clear focus on maintenance and replacement under NR's Control Period 6 which has delivered the projected increase in revenues during the 2019 trading year.

The Rail and Infrastructure business division turnover was £167m for the full year, delivering an increase of 45% on the previous year's trading performance.

Significant work-winning successes during the year included ***three major contracts for Network Rail***, with packages on the £3bn programme of upgrades to the TransPennine Rail route between York and Manchester via Leeds and Huddersfield. This was in addition to track and civil engineering works secured on Network Rail's South East framework, and ATF power distribution upgrades on the Crossrail Anglia section for the same client.

Keltbray's Distribution and Transmission business unit was also awarded ***two transmission line refurbishment contracts as part of Scottish Power's upgrade investment programme*** during the reporting period.



During the year under review, Keltbray worked as ***a Principal Contractor to Abellio Greater Anglia on Norwich Victoria sidings***, a design and build project located just outside of Norwich. Last in use during the 1990's, the sidings are again becoming operational to accommodate rolling stock as part of the Anglia fleet upgrade. The project is valued at £7.2 million and is one of Keltbray Aspire's increasing number of multi-disciplinary contracts. Keltbray was awarded the contract in April 2019 and construction works were completed at the end of February 2020. The contract includes multi-discipline design which has been undertaken by Wentworth House Rail Systems (WHRS).

In August 2019, Keltbray Distribution and Transmission (KDT) finally ***established commercial relationships with every Distribution Network Operator (DNO) in the UK***, following the transfer of staff and contracts from Voltcom Construction which had fallen into administration. One of those clients, Northern Powergrid, which operates the electricity network in the North East and Yorkshire, had been a key client target for a number of years and the acquisition has opened the door to a strong pipeline of future work.

Towards the end of the 2019 calendar year, Keltbray and Twinfix ***successfully completed the renewal of Bognor Regis roof lantern glazing with an innovative polycarbonate multilink system***, with additional works on the refurbishment of the Bognor Regis station canopy. This work was done on a listed building and required Keltbray to remove the existing Georgian wired glazing on the fragile roof. The main works started in March 2019 with inspections, surveys and sample testing of the existing components with the core works commencing early June 2019. The original scope with additional variations took eight weeks to complete and was finished by mid-November 2019.

Since deciding to extend its international footprint, Keltbray joined the Canadian market in March 2018, and ***completed its first major milestone on the Eglington LRT project*** which is part of the Smith and Long and Keltbray joint venture, also known as (SLK JV) for client, Crosslinx. The project is an 11km Light Rail Transit system, 6km of which is underground. The contract awarded to the SLK JV was the FLOC package, consisting of Fibre, lighting, OCS and MV cabling valued at CA$30m.

In June 2019 the rail business unit ***established Keltbray International Australia***, marking Wentworth House Rail Systems (WHRS) out as an innovative new entrant into the infrastructure market. In the very same month it also secured work with the John Holland / Laing O'Rourke rail joint venture, working on the Sydenham Station and Junction (SSJ) Project, part of the new 66km AUS$16bn Sydney Metro. Keltbray International provided Overhead Line Electrification (OLE) consultancy services in the run up to a major blockade over the Christmas and New Year period. The services included the development of a strategy to deliver the complicated rail systems work scope along with staging diagrams and a detailed Primevera P6 program, with over 3,000 activities to be completed. The work was completed ahead of schedule and the program was delivered on time and without issue over the blockade.

During the reporting period, the Keltbray Rail team ***won Innovation of the Year at the Construction News Specialist Awards 2019***. The winning innovation was Keltbray's Mobile Elevating Work Platform (MEWP) which was designed to dramatically reduce the risk of harm to staff caused by the introduction of larger, heavier parts on the railway overhead line systems. The new machine is so effective that it actually enables works that previously required two machines to complete, thereby cutting operating and maintenance costs, as well as the use of diesel and related emissions by 50%.

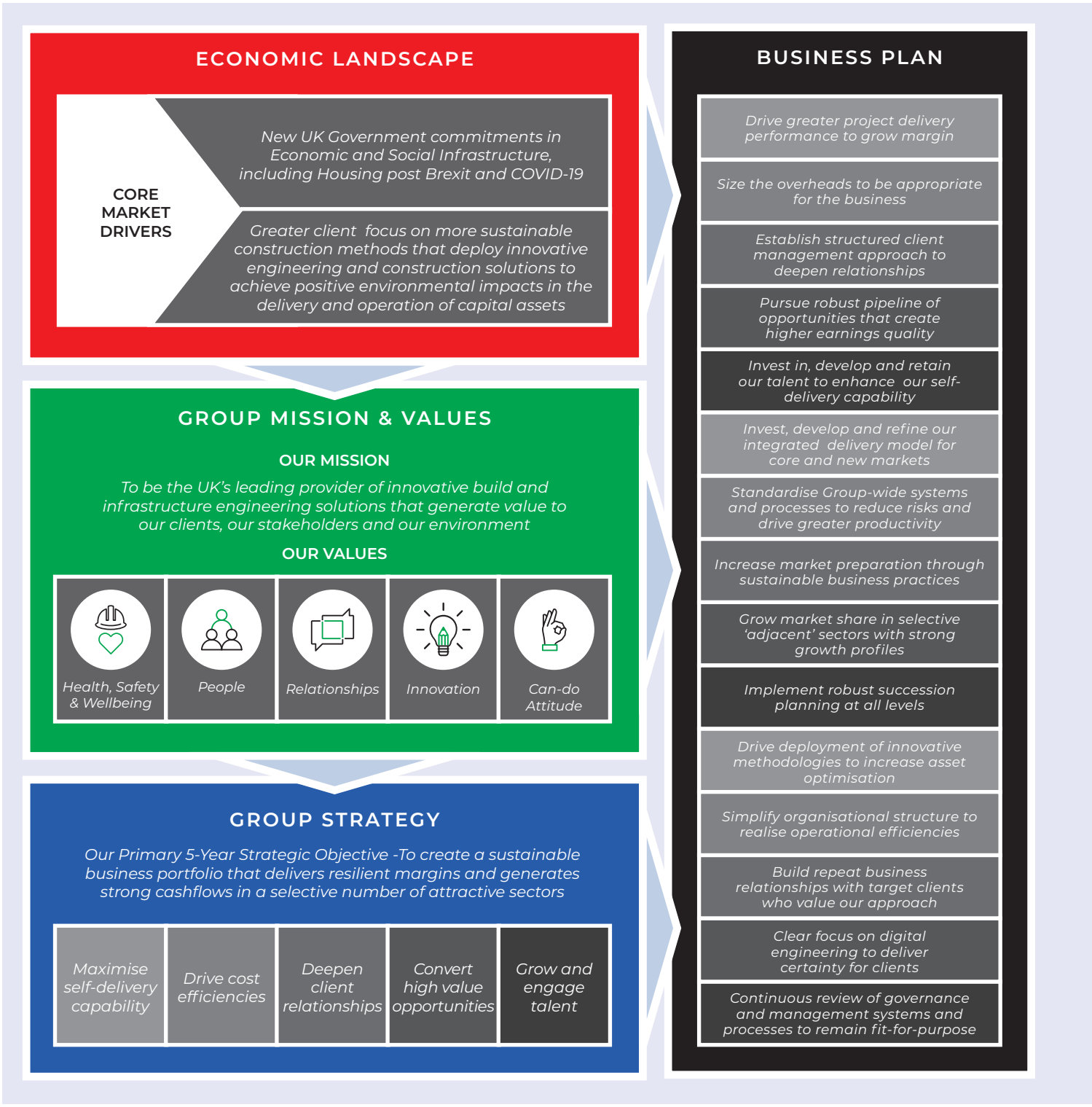
our mission, values & strategic priorities

KELTBRAY AIMS TO BECOME THE UK'S LEADING SPECIALIST ENGINEERING AND CONSTRUCTION SERVICES PARTNER FOR PROGRESSIVE CLIENTS WHO VALUE OUR UNIQUE APPROACH AND THE DELIVERY CERTAINTY IS PROVIDES.

Through the delivery certainty of our operational assets, our financial resilience, and our skilled and experienced teams, we are selectively targeting attractive markets and clients, while at all times remaining true to our corporate values and maintaining a resolute commitment to the highest standards of safe and sustainable delivery.

We believe this constitutes our licence to be in business.

keltbray


ECONOMIC LANDSCAPE
CORE MARKET DRIVERS
New UK Government commitments in Economic and Social Infrastructure, including Housing post Brexit and COVID-19
Greater client focus on more sustainable construction methods that deploy innovative engineering and construction solutions to achieve positive environmental impacts in the delivery and operation of capital assets
GROUP MISSION & VALUES
OUR MISSION
To be the UK's leading provider of innovative build and infrastructure engineering solutions that generate value to our clients, our stakeholders and our environment
OUR VALUES
Health, Safety & Wellbeing
People
Relationships
Innovation
Can-do Attitude
GROUP STRATEGY
Our Primary 5-Year Strategic Objective -To create a sustainable business portfolio that delivers resilient margins and generates strong cashflows in a selective number of attractive sectors
Maximise self-delivery capability
Drive cost efficiencies
Deepen client relationships
Convert high value opportunities
Grow and engage talent
BUSINESS PLAN
Drive greater project delivery performance to grow margin
Size the overheads to be appropriate for the business
Establish structured client management approach to deepen relationships
Pursue robust pipeline of opportunities that create higher earnings quality
Invest in, develop and retain our talent to enhance our self-delivery capability
Invest, develop and refine our integrated delivery model for core and new markets
Standardise Group-wide systems and processes to reduce risks and drive greater productivity
Increase market preparation through sustainable business practices
Grow market share in selective 'adjacent' sectors with strong growth profiles
Implement robust succession planning at all levels
Drive deployment of innovative methodologies to increase asset optimisation
Simplify organisational structure to realise operational efficiencies
Build repeat business relationships with target clients who value our approach
Clear focus on digital engineering to deliver certainty for clients
Continuous review of governance and management systems and processes to remain fit-for-purpose

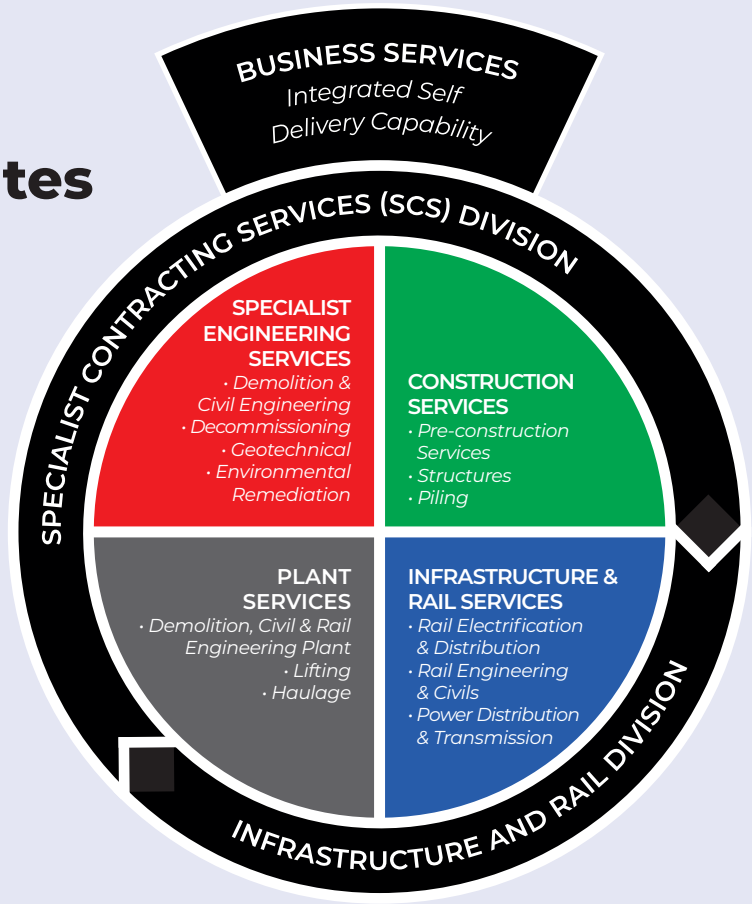
our business services

We offer our clients specialist engineering and construction solutions that deliver greater certainty compared to traditional contracting providers through our unique integrated delivery capability, which we are further optimising with the increased application of digital technologies.

what differentiates keltbray?

SOURCES OF COMPETITIVE ADVANTAGE

The unique combination of skilled and experienced teams; innovative self delivery; financial resilience; strong, enduring partnerships and our reputation for 'Can Do' across all elements of our business are what we believe sets us apart from our industry peers.



CORE MARKETS

BUILDING
- *Commercial*
- *Residential*
- *Industrial*

POWER
- *Transmission*
- *Distribution*
- *Critical Systems*

RAIL
- *Track civils*
- *Electrification*

TRANSPORT
- *Aviation*
- *Road*
- *Marine*

GOVERNMENT INFRASTRUCTURE
- *Health*
- *Defence*

UTILITIES
- *Water Process*
- *Waste*



specialist contracting services (SCS)

SPECIALIST ENGINEERING SERVICES

DEMOLITION AND CIVIL ENGINEERING

Keltbray Demolition and Civil Engineering provides a range of specialist services associated with the planning and delivery of complex demolition and civil engineering projects across the UK.

Demolition and dismantling comprise of services carried out in the early stages of a construction project in preparation for the new build. Services include pre-construction services (such as environmental and logistic planning), engineering design, demolition and dismantling of redundant structures

Civil engineering works in general covers the onsite clearance and remediation of sites and the beginning of the new construction process where new foundations and sub structure works are undertaken. Keltbray has a proven track record in the delivery of varying complex and challenging civil engineering projects utilising our in house design capability and specialist delivery teams. We deliver on time and within agreed budgets using innovate techniques, with due consideration given to the surrounding environment and the health, safety and wellbeing of all parties involved.

DECOMMISSIONING

Keltbray Decommissioning provides the engineering solutions to industrial decommissioning projects throughout the UK.

Keltbray provides specialist input for the decommissioning phase of projects covering the period from plant closure to commencement of demolition. During this stage of the works, characterisation surveys are used to identify the location and quantum of potentially hazardous materials, plants cleaned and de-energised, and value engineering applied to maximise the return from saleable assets. Keltbray Decommissioning is an industry leader in this field, covering a wide range of highly regulated and heavy industries including nuclear, petrochemical, pharmaceutical and the power sector.

GEOTECHNICAL ENGINEERING

Keltbray Environmental implements the treatment of contaminated material from brownfield and redevelopment sites, which are then transformed into materials that are suitable for use in restoration projects and new landforms.

Keltbray Environmental Solutions provides the management and removal of asbestos and other hazardous materials, such as lead, radiological, chemical and biological contamination.

ENVIRONMENTAL REMEDIATION

Keltbray Remediation provides on-site remediation solutions for brownfield sites, to enable development or manage environmental issues. With in-house technical expertise, including scientists, chartered environmental and waste professionals.


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BIGBUS LONDON

specialist contracting services (SCS)

CONSTRUCTION SERVICES

PRE-CONSTRUCTION CONSULTING SERVICES

Pre-construction services including specialist analysis and consultancy are available at the initial stages of a project to provide clients with the opportunity to develop innovative solutions to improve value and reduce risk. These cover the areas of estimating, planning and engineering.

Keltbray prides itself on the depth of its experienced estimating, planning and engineering professionals, who provide services across the Group, either as an integrated service, or standalone requirement such as a pre-demolition services provision.

Keltbray has an in-house engineering design consultancy, Wentworth House Partnership, with over 20 years' experience covering all areas of temporary works, refurbishments and foundations in the building and civil engineering sector.

PILING

Keltbray Piling was established in 2009 and has grown to become one of the largest specialist piling contractors in the UK, delivering high-quality, cost-effective and innovative piling solutions in a safe and efficient manner.

Keltbray provides early works foundation strategies, construction issue design, construction and management solutions for piled foundations across the UK. It has extensive experience in both small and large-scale piling works, including Battersea Power Station, Tottenham Hotspur FC and 150 Bishopsgate.

STRUCTURES

Keltbray Structures has the skills and expertise to provide all the main delivery capabilities associated with most concrete construction projects, from reinforced concrete basement and sub-structures right through to complex super-structure frame construction.

Keltbray strives to continually incorporate innovative products, tailored structural designs and efficient processes into its work. We use an extensive range of high tech proprietary formwork from suppliers and have a dedicated precast factory for the production of complex and bespoke moulds.


TXM

infrastructure and rail division (I&R)

INFRASTRUCTURE AND RAIL SERVICES

RAIL ENGINEERING AND CIVILS

Rail and civil engineering consists of the design, construction and maintenance of railway systems. This includes groundworks, piling, demolition, welding, permanent way, signalling systems maintenance, and management and removal of hazardous and non-hazardous waste.

Keltbray delivers to accredited and award-winning standards using its own safety critical labour supply and specialist rail plant, and has a track record of delivering on complex projects in the phases of design, construction, maintenance and renewal.

RAIL ELECTRIFICATION AND DISTRIBUTION

Keltbray is focused on maximising rail availability while minimising disruption, and we pride ourselves on our highly experienced, multi-disciplined teams and a commitment to providing high standard rail solutions, which are delivered safely, and to time and budget. Keltbray Rail is working on a number of high profile contracts across the UK network.

Keltbray has extensive experience in all aspects of railway electrification. Wentworth House Rail Systems delivers leading electrification design and Keltbray has one of the country's largest project management and construction teams, for cost effective overhead line electrification installation, upgrades and maintenance services.

POWER DISTRIBUTION AND TRANSMISSION

Power distribution and transmission is the business of ensuring constant power supply through the provision of construction, maintenance and repair services for utility companies (or distribution network operators). Trusted by all seven distribution network operators in the UK to keep the power running, Keltbray is now the UK's largest provider of overhead support, with over 230 accredited linesman.



group services

PLANT SERVICES

DEMOLITION, CIVIL AND RAIL ENGINEERING PLANT

Plant provides high specification and fully supported machinery and equipment to projects associated with construction, demolition, civil engineering and rail. This can include robotic equipment, dumper trucks, and mobile elevating work platforms.

Keltbray's plant capabilities provide all of the machinery and vehicles the Group needs for project delivery. This means no third parties are relied upon and Keltbray can deliver with greater certainty, safely and sustainably.

LIFTING

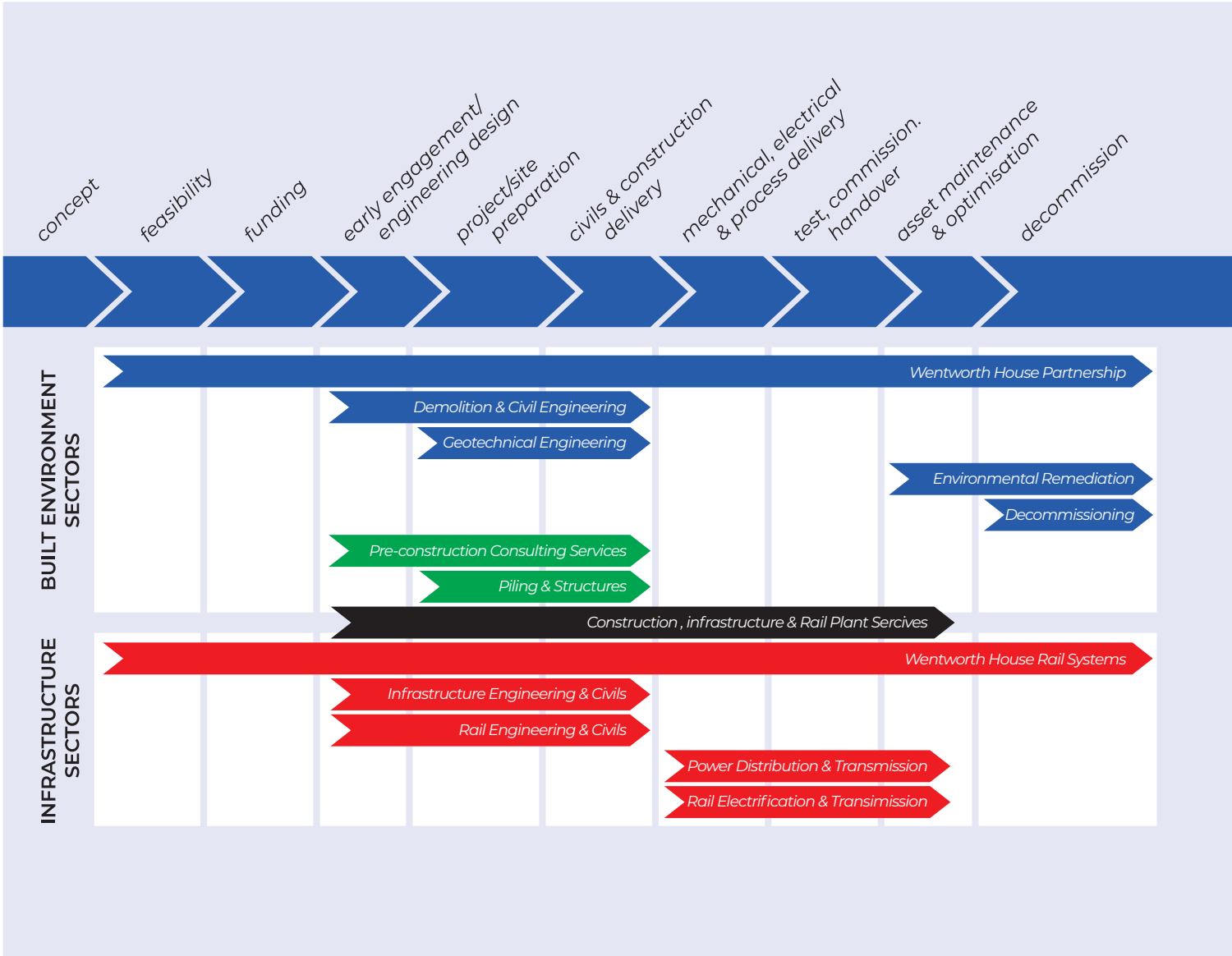
Keltbray Lifting Services has great knowledge and experience in planning lifting operations using all types and specifications of cranes and lifting equipment. Particular examples include overhead, crawler and tower cranes. Our lifting teams are highly experienced in providing end-to-end support on projects ranging from a one tonne load to undertaking the heaviest single crane lift in the UK.

HAULAGE

Keltbray is widely recognised as an industry leader for its continued investment in driver training, cyclist safety as well as its state-of-the-art fleet of vehicles. By constantly monitoring driving standards thanks to tracking systems, vehicle mounted CCTV and 'in cab' computer statistics, we achieve industry-leading road and operator safety standards. It provides a 24/7 transportation service to the group for the disposal of all waste products and aggregate deliveries by using a modern fleet of vehicles that are all ULEZ compliant. The driving teams for these vehicles have all attended the Safer Urban Driving Course and have completed the mandatory 35 hours of CPC training.

EXTENDING OUR REACH ACROSS THE CLIENT VALUE CHAIN

From its formative years as a civil engineering and demolition contractor, Keltbray has extended its reach across the client value chain. Today we offer a diversified portfolio of comprehensive engineering and construction services, with pure demolition now accounting for less than 20% of Group revenues, as our specialist construction, infrastructure and rail businesses continue to drive our diversification into new client markets and revenue streams.



sustainable business review

WE MADE GOOD PROGRESS DURING THE YEAR IN A NUMBER OF STRATEGICALLY IMPORTANT AREAS

We have reported on our Group sustainability achievements since 2013, highlighting the important work taking place across our business to reduce carbon, support greener practices, and encourage good health and wellbeing whilst driving innovation and economic growth.

In 2019 we have aligned our sustainability commitments to support the five values our business lives by; with the view that sustainability runs through everything we do.

health, safety & wellbeing

Working in high-risk environments, the safety and wellbeing of our people and those affected by our works is our number one priority – it constitutes our licence to be in business. This is why the majority of our workforce is directly employed, allowing us to invest in training and new technologies to reduce the risks our people face, while delivering greater productivity in our project delivery activities.

We have worked hard in the year to put the emotional and psychological wellbeing of our people first, considering their mental health and their ability to recognise and respond to dangerous situations.

DRIVING BEST PRACTICE

In 2015 following analysis of our activities and incidents, we launched 'The Big 6'. Six trends that pose the biggest risk to our personnel and organisation. The aim was to raise awareness through deeper understanding and safer behaviours, sharing innovations and learning to actively prevent incidents.

This approach aims to change cultures, ensuring we plan and consider our behaviours before and during each activity to prevent incidents occurring.



CONTAMINATION



WORKING AT HEIGHT



MOVING PLANT



DRIVING



FALLING MATERIAL



ELECTRICITY & SERVICE STRIKES

VITAL FACTS 2019

TRAINED MENTAL HEALTH FIRST AIDERS:



AWARD WINNING HEATH, SAFETY & WELLBEING STANDARDS:

RoSPA Gold Safety Award for 8th year

FORS Gold Accreditation

SAFETY POLICIES:

Construction Logistics on Community Safety

Construction Skills Certificate Scheme

2019 SURVEY: OUR PEOPLE EXPERIENCE MORE GOOD DAYS AT WORK THAN THE NATIONAL AVERAGE:



Keltbray people: 4.3 / 5 good days



National Average: 3.6 / 5 good days

people

VITAL FACTS 2019

£2.7m

invested in training

£££

Keltbray employees paid London Living Wage or more

76,000

training hours

41

apprenticeships

£4.2m

projected training investment for 2020

256

trainees and apprentices

32

dedicated HS&W staff

200+

mental health first aiders trained

246

Learning & Development Catalogue courses

Training Excellence Award

The attraction, development and retention of construction and engineering skills remains a priority – both for the business and the wider industry. We recognise that our people drive our business and contribute positively to the communities where we work.

We continue to make every effort to provide our people with exciting and rewarding careers that enable them to fulfil their potential. During the year, we invested £2.7 million in training, development and education

To ensure we are meeting the needs of employees of all disciplines and experience levels, we have expanded our suite of training and development programmes, with the launch of Keltbray's L&D catalogue. It provides access to over 200 courses in a wide range of subject areas across four themes:

- **Employment fundamentals**
- **Personal effectiveness**
- **Leadership development**
- **Further education & skills**

The catalogue was created to give people the opportunity to develop skills that support their roles and allow them to continue their personal development. At Keltbray we are committed to investing and developing our people, through traditional classroom learning, formal academic study and structured professional development with leading chartered status or professional institutes.

We recognise that the professional development of our people underpins the success of our business. Therefore many of our leaders hold senior advisory positions on industry bodies and committees and the knowledge they share back into our business is invaluable.

relationships

VITAL FACTS 2019

35

people recruited through community engagement partners



***Seven** came through collaborative work with prisons and ex-offender organisations*

bounce back.

£236,000

spent on charitable donations

Crisis Homeless Charity

Construction Youth Trust (CYT)

Ulster University

16

senior people involved in other industry bodies including:

It is imperative that we capture the needs of every project and understand the communities we are working with. We communicate openly with our clients and stakeholders to build long-term, valued relationships so that they trust us to deliver for them. We use our network of contacts and the full spectrum of community engagement tools available to us, to build a sustainable legacy into each project.

Building relationships within the communities where we work is fundamental and allows us to support them in understanding change and how it can benefit them and those around them.

Likewise we are building long term client relationships, moving away from the transactional relationships to those based on openness, integrity and shared value. Over 66% of our secured pipeline is repeat business with clients who value the certainty of our business model.

2020 SOCIAL VISION

It is important that we continue to develop our social value offering through innovative ways to deliver real and positive social change. At Keltbray we are committed to social value and provide both practical and technical support to people in communities where it is most needed.

Continuing this strategically significant work is a major part of our sustainability priorities for 2020.

The effect our social value team has on the communities where we work continues to grow and is becoming a real differentiator for us. Developers now include social value in their plans and designs, which ultimately leads to projects becoming more sustainable and provides a lasting legacy to communities.



innovation

Innovation is an integral part of our culture and is key to fostering productivity, efficiency and all aspects of sustainability.

We are one of the few sector innovators bringing about real change, thanks to our close collaboration with academia and manufacturing partners which drives safer and more sustainable delivery of our works and helps bring construction into the 21st century.

2019 saw the launch of Keltbray Extended Reality (KXR) providing digital, immersive solutions to Keltbray, its clients and the industry. This technology will assist the pre-construction and delivery phases of construction, demolition and enabling works, with a view to project-wide integration with contractors.

Over the past four years we have invested £250,000 in our in-house, fully integrated piling management software. KIPS is effectively the brain of Keltbray Piling and holds performance data on quality, productivity and safety. We are able to complete the full piling quality assurance process on the KIPS system, together with project management reports and KPIs. Since its introduction, KIPS has started a revolution within our sector, principally due to its ability to save each piling engineer on average 10 hours per week. This technology has made us more efficient and more productive.

The HIPER Pile is a ground-breaking research and development project valued at £1.1m in funding that is aiming to disrupt the deep foundations industry. The sustainability driven project was funded by Innovate UK through a Knowledge Transfer Partnership grant and the Government's Transforming Construction Challenge.

can-do attitude



2019 was a record-breaking year for Keltbray's environmental achievements. With four 'Green Apple Awards' it was a great reflection of the hard work and commitment made across the Group.

From cutting plastic cups and bag usage across our offices and sites, to innovative solutions for sustainable delivery and a focus on the reduction of CO2 emissions, we are making a huge difference through incremental changes to everything we do.

CUTTING CARBON

Keltbray has upgraded its fleet of plant to reduce carbon emissions and increase the productivity of our operations. Using telematics devices, we calculated a £2m expenditure on diesel per annum to power our plant and machinery, this equated to 7,000 tonnes of CO2 being released into the atmosphere. It was discovered that some of our machines idled for up to 50% of their time on site, equating to approximately 10% of total fuel costs.

In 2019 we also upgraded our entire HGV fleet to Euro 6 to further reduce our impact on the environment.

Keltbray Environmental has been involved with some of London's largest infrastructure projects.

Our unique integrated proposition allows us to accept groundworks projects in London utilising the River Thames, thereby exploiting the use of barges and offering our clients an alternative to London's congested roadways. The waste treatment process involves careful classification of materials from sites across the capital. Once this material is deemed acceptable, it is then brought a short distance to our hazardous waste treatment facilities. Biological, physical and chemical treatment processes are then utilised to lower the levels of contaminants to a suitable threshold. Following this treatment it is suitable for reuse and is loaded on to barges and transported down river to a restoration facility, to be used as a capping.

VITAL FACTS 2019

BRE SMART WASTE

99%

of non-hazardous waste diverted from landfill

97%

of timber products from certified and reused sources

65,418

less litres of fuel used from the HGV in 2019 than 2018

All fixed locations powered by 100% renewable energy

Elimination of single-use plastics in all offices

carbon footprint™

Member of Carbon Footprint

SECR compliance report

MANDATORY REQUIREMENT	CURRENT REPORTING
	Year 2019-2020
Keltbray's consumption used to calculate emissions (kWh)	**87,118,542**
Keltbray's Scope 1 emissions from combustion of fuel for Plant & Machinery (tC02e)	**9,693**
Keltbray's Scope 1 emissions from combustion of fuel for On Road Vehicles (tC02e)	**10,561**
Keltbray's Scope 1 emissions from gas combustion (tC02e)	**92**
Keltbray's Scope 2 emissions from purchased electricity (tC02e)	**433**
Keltbray's Scope 3 emissions from business travel in rental/employee-owned vehicles(tC02e)	**3,228**
Total gross emissions (tC02e)	**24,007**
Intensity ratio (gross Scope 1 & 2 emissions tC02e/£1m)	**42.6**

METHODOLOGY USED

The methodology used to calculate Keltbray's total energy (kWh) and emissions carbon dioxide equivalent emissions (tC02e) was to break down the energy portfolio:

- The energy (kWh) used in buildings was gained directly from our suppliers as we manage all the contracts centrally. Where this is not applicable, i.e. in a managed building, we take meter readings on a monthly basis and log them on our reporting tool. Using official converting factors the energy used to power our facilities was converted to tC02e.

- The energy (kWh) used to power the Plant & Machinery was gained directly from the fuel suppliers and using official converting factors it was converted from litres of fuel to kWh and tC02e.

- The energy (kWh) used to power the On Road Vehicles was gained directly from the fuel suppliers and using official converting factors it was converted from litres of fuel to kWh and tC02e.

- The emissions (tC02e) from business travel are logged on Keltbray facilities via the SMARTWaste tool which is used to report environmental performance.

ENERGY EFFICIENCY ACTIONS TAKEN

In 2019 Keltbray Group made significant steps to tackling and reduce the energy demand of its operations.

Some key projects which we rolled out included:

- The haulage used for the London operation was upgraded to EURO 6 and all units have telematics. We use these telematics and launched a fuel saving tournament, where the driver with the biggest improvement in fuel efficiency would be awarded. In 2019 we used 65418 litres less than in 2018.

- All of Keltbray's fixed locations only buy 100% renewable electricity.

- We have rolled out telematics on all plant above 13t.

- Via the ESOS assessment which we carried in house, we invested a lot of time to understand the efficiency of our generators and have learned that they are not always running at optimum efficiency. We have therefore set ourselves the objective for at least 60% of Keltbray's generators to have telematics by 2023.

- We rolled out EnergyAware (e-learning provided by the Energy Institute) to over 1400 of our employees. This course engaged our teams of what measure they can take at home and in the work place to reduce the impact to the environment and save money.



group financial review 2019

keltbray

Despite the continuing economic pressures, Keltbray maintained focus on its established objective to deepen client relationships as an integrated specialist engineering and construction solutions provider. Our strategic investments in our people, our innovation agenda and our specialist direct delivery businesses are having a significantly positive impact on the way we deliver greater certainty and value to our clients.

We also continue to diversify both sectorally and geographically with a renewed emphasis on our core UK market, with rail infrastructure insertion plays in Canada and Australia; coupled with further investments we will be making in key sectors including rail, power, health, transport and residential, particularly the private rental and social housing markets in the UK.

It is our firm belief that our commitment to meaningful investment in research and development is also starting to reap benefits in terms of improving and advancing the products and services we are able to offer our clients. We continued to develop our strategic training and development programmes to help shield the Group from the growing skills shortage in the industry. Our sustainable approach covers entry-level trade apprenticeships, through to, graduate, management training, and leadership development, alongside accredited technical and professional development courses to ensure our trade skills remain at the forefront of the industry.

GROUP FINANCIAL PERFORMANCE

The Group continued to deliver a robust cash performance and consistent overall financial performance in the 2018/19 financial year, despite the negative impact of the UK Government's protracted exit from the European Union and associated cooling market sentiment. The Group's turnover increased 41% to £563 million, delivering a gross profit of £71 million.

Profit before tax was £10.5 million, down from £17.8 million in the previous year. This was supported by a strong cash performance with closing cash in hand of £21 million. In the context of the current market conditions this can be considered a strong outturn relative to our UK peer group.

There has been the anticipated tightening of gross margins, with gross margin down from 16.7% in 2018 to 12.7%. This margin erosion has been caused by a drop off in work volumes post-Brexit as investors took a more cautionary approach given the deterioration in general market conditions, alongside delivery issues and delays on a small number of SCS projects. The Group has taken decisive action to address these issues and are confident that these will not reoccur.

Group overhead remained broadly flat at the year-end increasing from £61 million in 2018 to £59.8 million, although it reduced as a percentage of turnover given the good growth we saw in both the built environment and rail and infrastructure business units.

During the year the Group embarked upon its'Engineering our Resilience' programme which was tasked with a detailed review of overheads and related efficiencies. This programme is looking to reduce the Group overhead by £14 million over a 12 month period.

As at the year-end 31st October 2019, the Group's balance sheet total stood at £41.7m, representing a very respectable capital base, which positions Keltbray Group firmly alongside our peer group in respect of our capital base versus annual turnover.

During the financial year, the Group generated significant positive cash flow from operational sources, supporting our continued investments in fixed assets, and in growing the business through acquisition to support the fulfilment of our strategic objectives.

During the same period, the Group spent £13.7m on fixed asset additions, including a number of highly specialised plant machinery. One such purchase was the acquisition of the UK's longest-reaching excavator, which was designed and built specifically for Keltbray by the manufacturer.

The Group's top 20 clients by spend continue to be ranked amongst the UK's most prestigious, blue-chip organisations in the construction and infrastructure sectors, and therefore our debtor days ratio remains low, providing liquidity levels which allows us to act responsibly in the payments to our supply chain.

GROSS MARGIN

Gross margin reduced from 16.7% to 12.7% as a result of lower margins across a number of the UK business units due to a combination of tightening markets and operational delivery issues. While the outlook in the UK economy is still uncertain and activity levels are subdued, market conditions remain challenging and pricing levels are very competitive.

A highly selective and rigorous approvals process continues to be applied to our pipeline of work to bid and although this does put greater pressure on order book growth, we believe that this meticulous approach to work-winning will reduce the impact in future years of the challenging market conditions that currently exist.

Alongside our core markets, we are also growing capability in profitable adjacent sectors including transport, utilities, health and residential to drive more sustainable margins moving forward. This will benefit the business by strategically re-balancing the project portfolio away from an over-reliance on the traditional London-centric building sectors towards more complex projects in economic and social infrastructure. Our focus on generating diversified sources of revenue both from a sector and client perspective should help us maintain our profitable performance, notwithstanding the recessionary pressures now being imposed on global markets by the outbreak of the Covid-19 pandemic.

NET FUNDS

The Group ended the financial year with net funds of £41 million, which included a closing cash position of £21 million and£20 million in secured banking facilities which remained undrawn.We believe that this is a creditable performance in the current market and indicates the underlying strength of our business activities.

We anticipate cash will come under continued pressure over the next few years, particularly in light of the unprecedented global economic downturn in the wake of the Covid-19 pandemic outbreak. However, through our market diversification strategy, disposal of non-core assets, closure of underperforming business activities and the right-sizing of our Group overhead, taken together these measures will help mitigate any negative cash impact. Our cash collection processes are robust and average month-end cash balances are strong. At the year-end the Group had undrawn credit facilities of £20 million.

Gross debt remained broadly flat in the year however the underlying mix has changed, with a reduction in non-core property related debt and an increased investment in core operational plant assets.

The Group supports prompt payments to suppliers and has consistently been amongst the industry leaders in its standard payments terms. As such we continue to support the UK Government's Construction Supply Chain Payment Charter which has been agreed by the Construction Leadership Council (CLC), the body set up to deliver the government's industrial strategy for construction.

ORDER BOOK

The Group order book was maintained in both value and quality, and stood at £257 million at the year-end.

In volume of activity terms we remain confident that the UK economy is growing stronger albeit at a reduced rate than previously forecast. However we need to remain cautious as trading terms remain under pressure following the recent economic deterioration which has been compounded by the Covid-19 pandemic. Therefore we will continue to be extremely selective in our opportunity selection and tendering processes.

The UK market profile is changing and we have identified significant opportunities in selective infrastructure markets that play to our strengths. As a result we have further strengthened our senior leadership team, and are investing in centralised business development and work winning capabilities to secure further work in these more buoyant sectors. We also continue to gain repeat business, with an increasing number of major clients choosing to negotiate directly with us to gain exclusive access to the certainty our capabilities in innovative engineering and integrated direct delivery provide.

COST MANAGEMENT

We have instigated a group wide cost efficiency programme – "Engineering our Resilience", recognising that through acquisition and rapid expansion over the last five year strategic period, the Group overhead has grown disproportionately to the operational business unit requirements. This overhead growth has resulted from our sustained investments in developing delivery expertise, pursuing a more complex pipeline of new work, and staff training in the business units, with further global investment in functional support and Research and Development activities. We believe future investment spend can be more effectively targeted at high value-add activities, while reducing duplication and removing wasteful activities together with the associated cost of their resources. We remain confident that taken together these measures will deliver the targeted cost savings we are seeking and act as one of the main catalysts in the implementation of our next five-year business plan as we strive for industry-leading cost efficiency.

This clear focus on improving the efficiency of our operations and right-sizing our overheads has reduced the 2020 budgeted figure by 16.4% since the year-end as a result of the combined measures, including those we are taking to safeguard the business during the Covid-19 pandemic, are factored together. We will continue to review the overhead run-rate to ensure we meet our target when the business returns to full operational capacity.

TAXATION

The Group takes its social and economic citizenship responsibilities very seriously and pays the appropriate amount of tax due on its business activities. The Group's effective tax rate is significantly mitigated as a result of Keltbray's continuing investment in innovation.

PENSIONS

The Group operates a number of pension schemes with leading industry providers in the UK. These are defined contribution schemes and as such there are no outstanding pension liabilities.





INSURANCE

Insurance broking globally is consolidated with Marsh JLT Speciality and Clear Insurance Management, given their respective technical expertise in underwriting Directors' and Senior Officers' corporate liabilities, property, fleet, heavy plant and commercial engineering-based projects, combined with their international market coverage.

During 2018/19 the Group continued to experience low levels of claims. Our insurance profile closely tracks and correlates with our safety performance.

EXCEPTIONAL ITEMS

Exceptional costs before tax include a £1.6 million credit resulting from the settlement of a legal dispute. There is also a £2.5 million loss, which reflects the impairment of the Group's quoted share portfolio and a provision for restructuring costs.

FINANCE AND TREASURY

The Group maintains sufficient financial capacity to support its long-term contracting commitments and accommodate future economic and operational challenges. The quantum of the cash and committed credit lines to which the Group has access to satisfy the current and future funding requirements of the Group's business plan totalled £41 million at the year end.

During the period the Group has appointed a full time Treasury Manager to support the Group's centralised Finance function which has prudently managed the Group's liquidity, funding and financial risks arising from movements in areas such as interest rates.

The Group continues to review its credit support requirement and base of key financial stakeholders, including key banking relationships and surety bonding providers who support our long-term strategic growth agenda.

We will continue to ensure our treasury policy is appropriate for the scale, complexity and operating environment of our business. We will further develop our credit support capacity in line with the requirements of our core markets and to ensure we are optimising the Group's cash position.

RISK AND ACCOUNTING POLICIES

The Group's risk management framework and processes have been enhanced during the review period. The Board continuously assesses and monitors risks affecting the Group and the Executive Chairman's Statement, Director's Report and risks and uncertainties section of this report include consideration of the relevant uncertainties affecting the business. Further details of how the Group has managed key financial and operational risks such as credit and liquidity risks are set out on pages 42 to 47.

COVID-19 RESPONSE

Following the outbreak of the Covid-19 pandemic in early March 2020, Keltbray has taken measured action to achieve three main objectives: protect the safety and wellbeing of its people; safeguard the business for future growth; and support the Government's strategy to save lives and keep essential services running across the UK.

The Group has developed and implemented Covid-19 specific smart working practices to protect the workforce and provide business continuity, while supporting official measures to curb the outbreak. This has allowed the Specialist Contracting Services Division to restart paused construction sites sooner than originally anticipated, alongside the rail and infrastructure businesses, which have been working at normal capacity throughout the Lockdown period.

As a consequence of the expected economic slowdown in the non-infrastructure markets, the Group has undertaken a comprehensive reforecasting of its 2020 – 2022 budget plans to revise financial targets in line with the anticipated reduction in work volumes. These have been shared with the Group's external stakeholders, who have clearly indicated their continued support of Keltbray's Strategy 2025. The Group continues to operate our normal supply chain payment practices and is committed to being a responsible contractor in the current environment

SUMMARY AND OUTLOOK

The Group has faced up to the prevailing trading challenges, while continuing to focus on its core business. By building internal capability in our Specialist businesses whilst continuing to invest in our proven service offering to clients, we remain confident that our growth plans are realistic and achievable.

The growing diversification in our revenue streams is achieving a greater balance of profit sources and we are working to extend our sector coverage into large, growth-orientated markets. The UK will continue to be challenged by difficult trading terms and we wait to see the full impact of the Covid-19 pandemic on trading conditions in the year ahead. We have responded quickly to these changing market dynamics to safeguard the business for future growth and are putting in place effective plans to address these challenges and their implementation is on track.



Our Executive Board continues to review our capital structure and we will always consider more efficient options that are aligned to our operating model. At present we are satisfied that we have an appropriate structure, well balanced cash flows, acceptable risk exposure to the supply chain, and a good order book which we believe we can grow significantly over the next 5-year business plan period. Taken together we are generating sufficient financial resources to meet today's requirements and fund future growth.

We will continue to deepen and strengthen the relationships with our key clients, through further development and refinement of our unique business offering, and by increasing the effectiveness of our financial and human resources. By establishing and consolidating deeper and longer-term relationships with major clients and supply chain partners across higher-value sectors and markets, it provides greater confidence in the validity of our strategic direction.

As a result, the Board has considered the Group's financial requirements, based on current commitments and its secured order book as well as the latest projections of future opportunities, against its banking and surety bonding arrangements and has concluded that Keltbray is well placed to manage its business risks and meet its revised financial targets, despite continuing uncertainty in the global economic outlook.



Peter Burnside
Group Finance Director

group risk management

keltbray

The effective management of risks and opportunities is fundamental to the delivery of the Group's strategic objectives, achievement of sustainable growth, protection and enhancement of its reputation, and upholding the required standards of corporate governance.



HOW WE MANAGE RISKS

The Group's structured approach to risk management is based on the principle of prevention through early identification. Detailed analysis and decisive action planning are carried out to remove or mitigate the potential for and impact of key risks before they actually occur. As risks and uncertainties do materialise, this structured approach also ensures actual issues are effectively dealt with.

The Board and business division senior leadership teams are committed to the proactive protection and optimisation of its assets, which include human, financial and strategic resources, through the consistent application of an effective risk management process, augmented where necessary by insurance. The Group is equally committed to the effective management of material operational risks, covering important non-financial and reputational risks arising in connection with health and safety, environmental impact and business conduct.

The Board has overall responsibility for ensuring that risk is effectively managed across the Group to guarantee full compliance with the legislative and regulatory requirements in the markets where it operates. The Board delegates certain risk management activities to designated subcommittees.

The Board considers Keltbray's internal control system to be effective and robust; and all identified risk elements are placed under continuous review and improvement.

The Risk Committee reviews the effectiveness of the Group's risk management systems and reports regularly to the Board on the key sources of risk, the monitoring of their status and the corresponding mitigation plans.

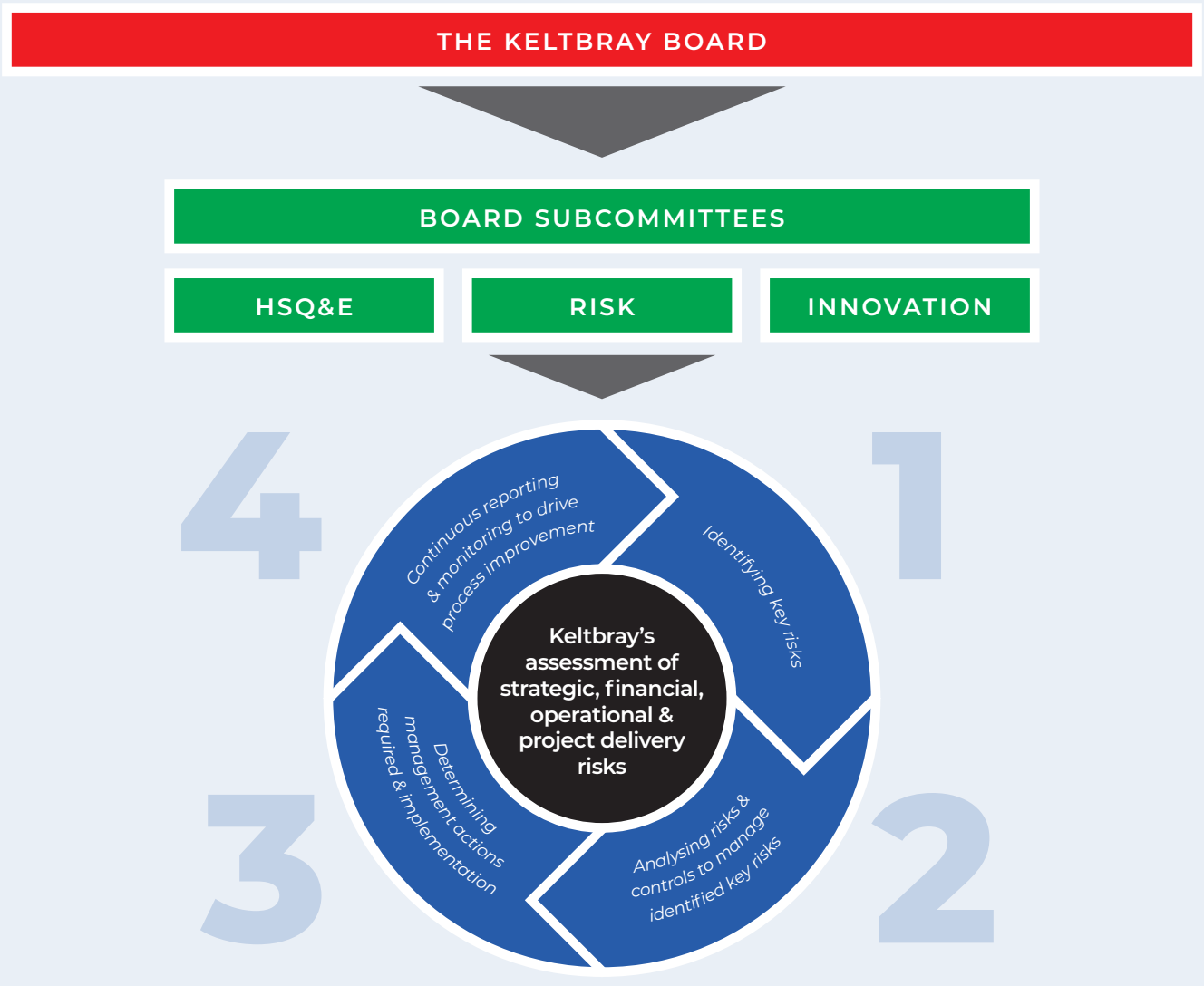
Risk reporting at the operational business unit level is structured so that key risks can be escalated rapidly through the management team, and ultimately to the Board where necessary. The individual businesses are able to tailor and adapt standard risk management processes to suit the specific circumstances of their respective operating environments.

Project risks are monitored and reported by our project leadership teams, which are reviewed by business unit operational management at scheduled contract review meetings. This process covers the financial and schedule performance of projects and is overseen by the commercial function.

summary of principal risks & uncertainties

The Keltbray Group's principal risks and uncertainties are identified over the following pages, together with a description of how we manage and mitigate them.

This list is not intended to be exhaustive, and some risks and uncertainties have not been included in this list on the basis that they are not considered to be material, to affect or be likely to affect businesses in general, or are not presently known by the Board and various sub-committees. However, we have established controls and systems in place to manage these risks.



key

- ▲ Increase in risk during FY2019
- ◀▶ No change in risk during FY2019
- ▼ Decrease in risk during FY2019

HEALTH, SAFETY, WELLBEING AND SUSTAINABILITY ◀▶

risk/impact

The nature of our activities present threats that could cause harm to employees, suppliers, clients, members of the public or the environment, which could lead to injuries, health implications, financial loss/ penalties or damage to the Group's reputation

management

Health and safety is Keltbray's number one priority and mitigation occurs at every level of the Group's governance framework. Our 'Serious on Safety' approach is an integrated programme designed to eradicate serious accidents by driving continuous improvement through our culture and leadership. Every project is subject to regular reviews and changes implemented where necessary.

The Health, Safety and Sustainability Committee meets periodically to review policy against any industry changes and continues to develop a consistent approach to health, safety and environmental best practice. Our documented HSQE Management System, clearly details compulsory procedural, behavioural and training requirements, is implemented on every project and is continually reviewed and updated.

Further details can be found in Keltbray's 2019 Sustainable Business Report.

PROJECT TENDERING / MARKET RISK ▲

risk/impact

Market uncertainties could put pressure on the business to secure projects with inappropriate price/ risk profiles or with onerous contractual arrangements, which could impact the Group's future profitability and its reputation

management

Keltbray's strategic focus is on those market sectors where competitive advantage is maintained and have the most potential to generate profitable returns. The Group has diversified its product and service offering across different market sectors. Members of our senior leadership team participate in political, economic and regulatory forums to maintain effective working relationships with the government and regulatory authorities.

Our selective approach to project selection is guided by a detailed set of protocols overseen by The Board. There are defined delegated authority levels for approving all tenders depending on the size and complexity of the project under consideration.

Our integrated self-delivery capability results in greater certainty of the construction programme, cost and risk profile pre-contract. Regular review meetings are held to check progress, understand the win strategy and test the contract risk profile providing recommendations where necessary.

summary of principal risks & uncertainties (cont)

key

- ▲ Increase in risk during FY2019
- ◀▶ No change in risk during FY2019
- ▼ Decrease in risk during FY2019

PROJECT DELIVERY ◀▶

risk/impact

The Group continues to deliver innovative, yet complex, construction and engineering projects across a range of sectors. Any inability to deliver on time, to budget and to the required quality could result in financial loss or reputational damage

management

Once a project has gone through our rigorous work-winning and project selection as described previously, Keltbray's approach is guided by our business management system to ensure a standardised approach to tendering and delivery based on robust project controls and a continuous improvement process.

Keltbray's integrated capabilities result in greater surety of delivery. Building Information Modelling (BIM) and digital engineering technologies are used to achieve time and cost certainty through a full visualisation of the build sequence on major projects.

SUPPLY CHAIN AND JOINT VENTURE PARTNERS ◀▶

risk/impact

Non-delivery by our supply chain or joint venture partners – through poor performance, financial failure, or reduced capacity/ capability – could impact the Group's ability to deliver projects on time, on budget and to the right quality, and result in financial loss or reputational damage.

management

Our integrated self-delivery capability allows the Group to actively work independently wherever possible reducing our reliance on third parties. Joint ventures are only established when the Group's interests are complementary to those of its partners. Keltbray undertakes a thorough evaluation process to determine the financial, operational and reputational integrity of potential partners before committing to any formal arrangement. Once established, implementation of robust governance procedures ensures compliance with all contractual terms and practices within the joint venture.

PEOPLE ◀▶

risk/impact

Inability to recruit, develop and retain appropriately skilled people could impact the Group's ability to meet current commitments, deliver projects and grow the business as planned.

management

Human Resources is a primary component of Keltbray's strategy and is overseen by The Group Board. The Group aims to be a progressive employer of choice and offers attractive reward packages, training and development, and a broad range of career opportunities. Succession planning is undertaken for all key roles. Innovative partnerships with universities also help position Keltbray in attracting leading professionals.

FINANCIAL (LIQUIDITY)

risk/impact

Inability to secure funding – in the form of cash/bonding facilities – could impact the Group's ability to bid work, make investments or meet its ongoing liquidity needs, which could adversely impact profitability, cash flow and future growth.

management

Our experienced in-house financial management team takes a prudent approach to liquidity and constantly monitors and stress-tests cash reserves and available bank facilities to meet liabilities and financing needs as they fall due. Procedures are in place to monitor and forecast cash usage and other highly liquid current assets. Regular briefings are given to the Group's bond providers, to support the provision of reasonable headroom capacity.

These measures, together with committed credit facilities, ensures that we have adequate availability of cash when required. At the financial yearend, the Group had access to cash and cash facilities of £41 million.

POLITICAL, ECONOMIC AMD REGULATORY (INCLUDING BREXIT)

risk/impact

Keltbray operates in a cyclical industry and changes in the economic environment, government policy and regulatory developments can have a significant impact on the number of new projects, thus affecting the Group's profitability.

management

The Group seeks to maintain a diverse portfolio of projects for both private and public clients and a broad exposure to a number of resilient sectors and geographic markets. Keltbray also maintains a focus on sustainable relationships with key clients, government departments and related regulatory authorities.

Keltbray is closely monitoring potential impacts of the UK Government's exit from the EU, particularly in regard to investor sentiment towards project development opportunities and to the availability of labour and material resources. To date, there has been no adverse impact on our operational performance, and we do not deliver services to any country in the EU.

CONDUCT, COMPLIANCE AND REPUTATION

risk/impact

Damage to the Group's reputation through poor conduct or acts of fraud, bribery, corruption or anticompetitive behaviour can all adversely impact corporate reputation and result in financial loss.

management

The Group has very clear principles governing the way in which it conducts its business and expects all employees and partners to act in accordance with its published Code of Conduct and established systems and processes. Continuous awareness programmes ensure high levels of understanding of the Group's expectations and each individual's obligations.

SYSTEM SECURITY AND DATA PROTECTION

risk/impact

A loss of our key systems through a lack of resilience or an information security breach or attack, could impact the successful delivery of our projects and lead to a loss of confidential data, damaging our reputation and brand.

management

Robust controls and procedures are in place to monitor the performance of our systems and to identify and mitigate external threats. The Group is continually developing and upgrading its IT infrastructure, software and assessment capabilities. We continue to develop and enhance our data protection procedures in line with market regulations. The controls and procedures are subject to regular independent internal and external review.

good governance

The Keltbray Group is committed to achieving corporate governance standards and sustainable business practices that meet the highest levels of integrity and scrutiny for a privately-owned enterprise. We believe this is the best way of ensuring resilient long-term growth and the success of the Group.

corporate governance framework

Good corporate governance is integral to the Shareholder's and The Board's objective to sustain an organisational culture based on the Group's corporate values (see page 17), placing strong emphasis on upholding the highest standards of business conduct, ethics and integrity amongst the Group's employees, supply chain and other business partners.

The Board has clear terms of reference that reflect these principles and cover the following:

strategy
reviewing and agreeing strategy

performance
monitoring the performance of the Group and also evaluating its own performance

code of conduct
setting standards and values to guide the affairs of the Group

oversight
ensuring an effective system of internal controls is in place, ensuring that the Board and its nominated subcommittees receive timely and accurate information on the performance of the Group and the proper delegation of authorities

A key function of Keltbray's corporate governance framework is the identification, management and mitigation of operational and financial risks. At every governance level, we ensure the necessary decision-making processes are functioning correctly, in line with developments in company laws, corporate governance and best practice.

The framework is reviewed annually to ensure it remains relevant and effective.




REVOR

operational governance framework

BUSINESS CODE OF CONDUCT

Keltbray believes laws and regulations act as our minimum integrity standards, and we constantly seek to go beyond this level. Our Code of Conduct articulates our approved set of ethical principles covering key business issues that we expect every employee and contracted supply chain partner to uphold in every activity, every day, wherever we operate.

By setting the expected minimum standards of business conduct in different areas of our work, the Code is integral to the way we do business at Keltbray and is underpinned by our Group mission and values (see page 17). Compliance with the Code provides heightened assurance of our business affairs, which in turn supports the long-term sustainability of the Group by encouraging more ethical and effective relationships and stimulating deeper economic, social and environmental contributions where we work.

The Code applies across the entire Group and its development and application are the responsibility of the Board.

GROUP POLICIES

Our Group policies underpin the Code of Conduct and are based on government laws and regulations as they impact upon Keltbray's business activities. The policies establish and define the internal rules that everyone must comply with to conduct business effectively.

BUSINESS MANAGEMENT SYSTEM (BMS)

The Keltbray Business Management System (BMS) is a set of standards and procedures that guide and direct Keltbray in identifying, securing and delivering projects. This proven quality assurance framework enables us to achieve maximum performance and control across the entire lifecycle of a project. The business management system is subject to continuous improvement to reflect the evolving organisation.

A frequent and formal feedback process is in place to capture key information to enable us continually to assimilate the best and most current ways of working.

BUSINESS UNIT/FUNCTION GUIDELINES AND PROCEDURES

Business Unit and Function-specific guidelines ensure that the different operating hubs and their constituent parts can effectively adapt their business practices and processes to suit the markets and sectors in which they operate. They are designed to align with, and complement, Group policies and stem directly from Keltbray's Business Management System (BMS).

ASSURANCE AND ACCREDITATION

Keltbray is independently audited to ensure governance and compliance against statutory audit processes, internal governance, ISO accreditation processes and industry standards through alignment with the Considerate Constructors and Local Authority Considerate Contractor schemes.

This governance structure ensures that in addition to a sound financial performance, Keltbray operates safely, ethically, sustainably and responsibly, with qualified professionals in all areas of the business.

The Group acknowledges responsibility to the Modern Slavery Act 2015 and is committed to driving out acts of modern slavery and human trafficking within its business and supply chain. Our Company Directors and senior management take responsibility for implementing this policy, as well as providing adequate resources and investment to ensure that slavery and human trafficking are not taking place within the organisation or our supply chain. A copy of our Modern Slavery and Human Trafficking policy can be found on our website: www.keltbray.com.

This report was approved by the board of directors on 7 July 2020 and signed on behalf of the board by:



P J Burnside
Director

Registered office:
St Andrew's House
Portsmouth Road
Esher, Surrey KT10 9TA

the executive leadership

The Keltbray Main and Executive Boards are comprised of 14 members, all of whom possess the depth of experience and expertise to deliver our strategic priorities. Despite the continuing economic challenges, the senior leadership team has remained resolute in driving implementation of our diversification strategy in a safe, timely and effective manner, including the 'Engineering our Resilience' transformation programme, sustaining a profitable business performance from our core business operations, while upholding the highest standards of business conduct.

keltbray



BRENDAN KERR
Executive Chairman



TONY DOUGLAS
Non-executive Chairman



JOHN KEEHAN
Non-executive Director



DARREN JAMES
Chief Executive Officer



VINCE CORRIGAN
Chief Operating Officer



PETER BURNSIDE
Group Finance Director



JOHN PRICE
Managing Director
High Speed Rail



PHILL PRICE
Managing Director
Infrastructure Services



MICHAEL O'HAGAN
Managing Director
Built Environment Services



PAUL DEACY
Managing Director
Demolition and Civils



MARTIN BROWN
Managing Director - Rail



PETER SUCHY
Group Commercial Director



KYLA FARMER
Group People Director



TIM BOWEN
Managing Director
Strategic Development

consolidated financial statements 2019

KELTBRAY GROUP (HOLDINGS) LIMITED
YEAR ENDED 31 OCTOBER 2019

keltbray group (holdings) limited

COMPANYREGISTRATION NUMBER: 02810840

CONSOLIDATED FINANCIAL STATEMENTS
31 OCTOBER 2019

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officers & professional advisors

BOARD OF DIRECTORS

B Kerr
J Price
J Keehan
P Suchy
P Price
A Douglas
P Deacy
V Corrigan
P J Burnside *(Appointed: 25 March 2019)*
A McClafferty *(Resigned: 19 June 2020)*
D James *(Appointed: 20 June 2020)*
K Farmer *(Appointed: 24 June 2020)*
T Bowen *(Appointed: 24 June 2020)*
J Goldberg *(Resigned: 30 April 2020)*
S Hulme *(Resigned: 7 February 2020)*

REGISTERED OFFICE

St Andrew's House
Portsmouth Road
Esher
Surrey
KT10 9TA

AUDITOR

BDO Northern Ireland
Chartered accountants & statutory auditor
Lindsay House
10 Callender Street
Belfast
BT1 5BN

BANKERS

Santander UK plc
2 Triton Square
Regent's Place
London
NW1 3AN

KELTBRAY GROUP (HOLDINGS) LIMITED
YEAR ENDED 31 OCTOBER 2019

directors report

The directors present their report and the financial statements of the group for the year ended

31 October 2019.

DIRECTORS

The directors who served the company during the year were as follows:

B Kerr **J Price**

J Keehan **P Suchy**

P Price **A Douglas**

P Deacy **V Corrigan**

P J Burnside *(Appointed: 25 March 2019)*

J Goldberg *(Resigned: 30 April 2020)*

S Hulme *(Resigned: 7 February 2020)*

A McClafferty *(Resigned: 19 June 2020)*

DIVIDENDS

Particulars of recommended dividends are detailed in note 13 to the financial statements.

FUTURE DEVELOPMENTS

Following the outbreak of the Covid19 pandemic in early March 2020, Keltbray has taken measured action to achieve three main objectives: protect the safety and wellbeing of its people; safeguard the business for future growth; and support the Government's strategy to save lives and keep essential services running across the UK.

The Group has developed and implemented Covid19-specific smart working practices to protect the workforce and provide business continuity, while supporting official measures to curb the outbreak. This has allowed the Specialist Contracting Services Division to restart paused construction sites sooner than originally anticipated, alongside the rail and infrastructure businesses which have been working at normal capacity throughout the Lockdown period.

As a consequence of the expected economic slowdown in the non-infrastructure markets, the Group has undertaken a comprehensive reforecasting of its 2020 – 2022 budget plans to revise financial targets in line with the anticipated reduction in work volumes. These have been shared with the Group's external stakeholders, who have clearly indicated their continued support of Keltbray's Strategy 2025. The Group continues to operate our normal supply chain payment practices and is committed to be a responsible contractor in the current environment.

EMPLOYMENT OF DISABLED PERSONS

The group gives full consideration to applications for employment from disabled persons where the requirements of the job can be adequately fulfilled by a handicapped or disabled person. Where existing employee become disabled, it is the group's policy wherever practicable to provide continuing employment under normal terms and conditions and to provide training and career development and promotion to disabled employees wherever appropriate.

EMPLOYEE INVOLVEMENT

During the year, the policy of providing employees with information about the group has been continued through internal media methods in which employees have also been encouraged to present their suggestions and views on the group's performance. Regular meetings are held between local management and employees to allow a free flow of information and ideas.

FINANCIAL INSTRUMENTS

The group's operations expose it to a variety of financial risks that include the effects of changes in debt market prices, credit risk, liquidity risk, foreign exchange risk and interest rate risk. The group has in place a risk management programme that seeks to limit the adverse effects on the financial performance of the group by monitoring levels of debt finance and the related finance costs. Given the size of the group, the directors have not delegated the responsibility of monitoring financial risk management to a sub-committee of the board. The policies set by the board of directors are implemented by the group's finance department.

PRICE RISK

The group is exposed to some commodity price risk as a result of its operations. However, costs of managing exposure to commodity price risk exceed any potential benefits. The directors will revisit the appropriateness of this policy should the group's operations change in size or nature.



FOREIGN EXCHANGE RISK

While the greater part of the group's revenues and expenses are denominated in sterling, the group is exposed to some foreign exchange risk in the normal course of business. While the group has not used financial instruments to date to hedge foreign exchange exposure, this position is kept constantly under review.

CREDIT RISK

The group has implemented policies that require appropriate credit checks on potential customers before sales are made. The amount of exposure to individual customers is monitored by the board.

LIQUIDITY RISK

The group actively maintains a mixture of long-term and short-term debt finance that is designed to ensure the group has sufficient available funds for operations and planned expansions.

INTEREST RATE CASH FLOW RISK

The group has both interest bearing assets and interest bearing liabilities, both of which bear interest at variable rates. The future cashflows of the group's operations are not sufficiently at risk due to interest rate changes to require funding at fixed rate. The appropriateness of this policy will be revisited should the group's operations change in size or nature.

EVENTS AFTER THE END OF THE REPORTING PERIOD

Particulars of events after the reporting date are detailed in note 30 to the financial statements.

DISCLOSURE OF INFORMATION IN THE STRATEGIC REPORT

Please refer to the strategic report (pages 6-51) regarding financial overview, key performance indicators, principal risks and uncertainties and corporate social responsibilities.

KELTBRAY GROUP (HOLDINGS) LIMITED
YEAR ENDED 31 OCTOBER 2019

DIRECTORS' RESPONSIBILITIES STATEMENT

The directors are responsible for preparing the strategic report, directors' report and the financial statements in accordance with applicable law and regulations.

Company law requires the directors to prepare financial statements for each financial year. Under that law the directors have elected to prepare the financial statements in accordance with United Kingdom Generally Accepted Accounting Practice (United Kingdom Accounting Standards and applicable law). Under company law the directors must not approve the financial statements unless they are satisfied that they give a true and fair view of the state of affairs of the group and the company and the profit or loss of the group for that period.

In preparing these financial statements, the directors are required to:

- select suitable accounting policies and then apply them consistently;

- make judgments and accounting estimates that are reasonable and prudent;

- state whether applicable UK Accounting Standards have been followed, subject to any material departures disclosed and explained in the financial statements;

- prepare the financial statements on the going concern basis unless it is inappropriate to presume that the company will continue in business.

The directors are responsible for keeping adequate accounting records that are sufficient to show and explain the company's transactions and disclose with reasonable accuracy at any time the financial position of the company and enable them to ensure that the financial statements comply with the Companies Act 2006. They are also responsible for safeguarding the assets of the company and hence for taking reasonable steps for the prevention and detection of fraud and other irregularities.

Each of the persons who is a director at the date of approval of this report confirms that:

so far as they are aware, there is no relevant audit information of which the group and the company's auditor is unaware; and

they have taken all steps that they ought to have taken as a director to make themselves aware of any relevant audit information and to establish that the group and the company's auditor is aware of that information.

AUDITOR

The auditors, BDO Northern Ireland, have expressed their willingness to continue in office and a resolution to reappoint them will be proposed at the annual general meeting in accordance with section 485 of the Companies Act 2006.

This report was approved by the board of directors on 7 July 2020 and signed on behalf of the board by:



P J Burnside
Director

Registered office:
St Andrew's House
Portsmouth Road
Esher, Surrey KT10 9TA

INDEPENDENT AUDITOR'S REPORT TO THE MEMBERS OF KELTBRAY GROUP (HOLDINGS) LIMITED

Opinion

We have audited the financial statements of Keltbray Group (Holdings) Limited (the 'parent company') and its subsidiaries (the 'group') for the year ended 31 October 2019 which comprise the consolidated statement of comprehensive income, consolidated statement of financial position, company statement of financial position, consolidated statement of changes in equity, company statement of changes in equity, consolidated statement of cash flows and the related notes, including a summary of significant accounting policies. The financial reporting framework that has been applied in their preparation is applicable law and United Kingdom Accounting Standards, including FRS 102 The Financial Reporting Standard applicable in the UK and Republic of Ireland (United Kingdom Generally Accepted Accounting Practice).

In our opinion the financial statements:

- give a true and fair view of the state of the group's and of the parent company's affairs as at 31 October 2019 and of the group's profit for the year then ended
- have been properly prepared in accordance with United Kingdom Generally Accepted Accounting Practice
- have been prepared in accordance with the requirements of the Companies Act 2006.

Basis for opinion

We conducted our audit in accordance with International Standards on Auditing (UK) (ISAs (UK)) and applicable law. Our responsibilities under those standards are further described in the auditor's responsibilities for the audit of the financial statements section of our report. We are independent of the group in accordance with the ethical requirements that are relevant to our audit of the financial statements in the UK, including the FRC's Ethical Standard, and we have fulfilled our other ethical responsibilities in accordance with these requirements. We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our opinion.

Conclusions relating to going concern

We have nothing to report in respect of the following matters in relation to which the ISAs (UK) require us to report to you where:

- the directors' use of the going concern basis of accounting in the preparation of the financial statements is not appropriate; or
- the directors have not disclosed in the financial statements any identified material uncertainties that may cast significant doubt about the company's ability to continue to adopt the going concern basis of accounting for a period of at least twelve months from the date when the financial statements are authorised for issue.

Other information

The directors are responsible for the other information. The other information comprises the information included in the annual report, other than the financial statements and our auditor's report thereon. Our opinion on the financial statements does not cover the other information and, except to the extent otherwise explicitly stated in our report, we do not express any form of assurance conclusion thereon.

In connection with our audit of the financial statements, our responsibility is to read the other information and, in doing so, consider whether the other information is materially inconsistent with the financial statements or our knowledge obtained in the audit or otherwise appears to be materially misstated. If we identify such material inconsistencies or apparent material misstatements, we are required to determine whether there is a material misstatement in the financial statements or a material misstatement of the other information. If, based on the work we have performed, we conclude that there is a material misstatement of this other information, we are required to report that fact.

We have nothing to report in this regard.

Opinions on other matters prescribed by the Companies Act 2006

In our opinion, based on the work undertaken in the course of the audit:

- the information given in the strategic report and the directors' report for the financial year for which the financial statements are prepared is consistent with the financial statements; and
- the strategic report and the directors' report have been prepared in accordance with applicable legal requirements.

KELTBRAY GROUP (HOLDINGS) LIMITED
YEAR ENDED 31 OCTOBER 2019

Matters on which we are required to report by exception

In the light of the knowledge and understanding of the group and the parent company and its environment obtained in the course of the audit, we have not identified material misstatements in the strategic report or the directors' report.

We have nothing to report in respect of the following matters in relation to which the Companies Act 2006 requires us to report to you if, in our opinion:

- adequate accounting records have not been kept by the parent company, or returns adequate for our audit have not been received from branches not visited by us; or
- the parent company financial statements are not in agreement with the accounting records and returns; or
- certain disclosures of directors' remuneration specified by law are not made; or
- we have not received all the information and explanations we require for our audit.

Responsibilities of directors

As explained more fully in the directors' responsibilities statement, the directors are responsible for the preparation of the financial statements and for being satisfied that they give a true and fair view, and for such internal control as the directors determine is necessary to enable the preparation of financial statements that are free from material misstatement, whether due to fraud or error.

In preparing the financial statements, the directors are responsible for assessing the group's and the parent company's ability to continue as a going concern, disclosing, as applicable, matters related to going concern and using the going concern basis of accounting unless the directors either intend to liquidate the group or the parent company or to cease operations, or have no realistic alternative but to do so.

Auditor's responsibilities for the audit of the financial statements

Our objectives are to obtain reasonable assurance about whether the financial statements as a whole are free from material misstatement, whether due to fraud or error, and to issue an auditor's report that includes our opinion. Reasonable assurance is a high level of assurance, but is not a guarantee that an audit conducted in accordance with ISAs (UK) will always detect a material misstatement when it exists. Misstatements can arise from fraud or error and are considered material if, individually or in the aggregate, they could reasonably be expected to influence the economic decisions of users taken on the basis of these financial statements.

A further description of our responsibilities for the audit of the financial statements is located on the Financial Reporting Council's website at www.frc.org.uk/auditorsresponsibilities.

This description forms part of our auditor's report.

Use of our report

This report is made solely to the company's members, as a body, in accordance with chapter 3 of part 16 of the Companies Act 2006. Our audit work has been undertaken so that we might state to the company's members those matters we are required to state to them in an auditor's report and for no other purpose. To the fullest extent permitted by law, we do not accept or assume responsibility to anyone other than the company and the company's members as a body, for our audit work, for this report, or for the opinions we have formed.

SIGNATURE

DATE

Nigel V W Harra,
senior statutory auditor

For and on behalf of:
BDO Northern Ireland,
statutory auditor

Lindsay House
10 Callender Street
Belfast
BT1 5BN

CONSOLIDATED STATEMENT OF COMPREHENSIVE INCOME
YEAR ENDED 31 OCTOBER 2019

	note	2019 (£)	2018 (£)
TURNOVER	5	**563,416,176**	**399,249,890**
Cost of sales		(492,424,912)	(332,400,165)
GROSS PROFIT		**70,991,264**	**66,849,725**
Administrative expenses		(61,026,388)	(58,931,043)
Other operating income	6	1,757,771	3,904,338
Negative goodwill release		257,000	8,692,336
Exceptional (release/costs)		1,601,985	(2,075,000)
OPERATING PROFIT	7	**13,581,632**	**18,440,356**
Loss on financial assets at fair value through profit or loss		(2,509,795)	(546,700)
Other interest receivable and similar income	10	–	360,008
Interest payable and similar expenses	11	(523,293)	(441,602)
PROFIT BEFORE TAXATION		**10,548,544**	**17,812,062**
Tax on profit	12	(3,743,179)	(3,824,576)
PROFIT FOR THE FINANCIAL YEAR AND TOTAL COMPREHENSIVE INCOME		**6,805,365**	**13,987,486**
Profit for the financial year attributable to:			
The owners of the parent company		6,325,368	13,421,939
Non-controlling interests		479,997	565,547
		6,805,365	**13,987,486**
Total comprehensive income for the year attributable to:			
The owners of the parent company		6,325,368	13,421,939
Non-controlling interests		479,997	565,547
		6,805,365	**13,987,486**

All the activities of the group are from continuing operations.

KELTBRAY GROUP (HOLDINGS) LIMITED
YEAR ENDED 31 OCTOBER 2019

CONSOLIDATED STATEMENT OF FINANCIAL POSITION
31 OCTOBER 2019

	note	2019 (£)	2018 (£)
FIXED ASSETS			
Intangible assets	14	3,315,978	(2,256,866)
Tangible assets	15	41,045,053	38,070,921
Investments	16	1,534,460	2,459,694
		45,895,491	**38,273,749**
CURRENT ASSETS			
Stocks	17	2,974,751	1,533,697
Debtors: due within one year	18	137,030,278	113,183,936
Debtors: due after more than one year	18	10,516,413	12,718,841
Cash at bank and in hand		20,949,375	30,832,147
		171,470,817	**158,268,621**
CREDITORS: AMOUNTS FALLING DUE WITHIN ONE YEAR	19	163,734,472	143,791,291
NET CURRENT ASSETS		7,736,345	14,477,330
TOTAL ASSETS LESS CURRENT LIABILITIES		53,631,836	52,751,079
CREDITORS: AMOUNTS FALLING DUE AFTER MORE THAN ONE YEAR	20	12,958,737	12,661,953
PROVISIONS			
Taxation including deferred tax	22	(1,104,499)	(778,188)
NET ASSETS		41,777,598	40,867,314
CAPITAL AND RESERVES			
Called up share capital	25	100,000	100,000
Profit and loss account	26	41,755,213	41,429,845
EQUITY ATTRIBUTABLE TO THE OWNERS OF THE PARENT COMPANY		41,855,213	41,529,845
NON-CONTROLLING INTERESTS		(77,615)	(662,531)
		41,777,598	40,867,314

These financial statements were approved by the board of directors and authorised for issue on 7 July 2020, and are signed on behalf of the board by:



P J Burnside
Director
Company Registration Number: 02810840

COMPANY STATEMENT ON FINANCIAL POSITION
31 OCTOBER 2019

	note	2019 (£)	2018 (£)
FIXED ASSETS			
Investments	16	4,098,927	523,427
CURRENT ASSETS			
Debtors: due within one year	18	17,415,405	6,840,055
CREDITORS: AMOUNTS FALLING DUE WITHIN ONE YEAR	19	8,853,125	2,275
NET CURRENT ASSETS		8,562,280	6,837,780
TOTAL ASSETS LESS CURRENT LIABILITIES		12,661,207	7,361,207
CREDITORS: AMOUNTS FALLING DUE AFTER MORE THAN ONE YEAR	20	500,000	—
NET ASSETS		12,161,207	7,361,207
CAPITAL AND RESERVES			
Called up share capital	25	100,000	100,000
Profit and loss account	26	12,061,207	7,261,207
SHAREHOLDERS FUNDS		**12,161,207**	**7,361,207**

The profit for the financial year of the parent company was £10,800,000 (2018: £9,000,000).

These financial statements were approved by the board of directors and authorised for issue on 7 July 2020, and are signed on behalf of the board by:



P J Burnside
Director
Company Registration Number: 02810840

KELTBRAY GROUP (HOLDINGS) LIMITED
YEAR ENDED 31 OCTOBER 2019

CONSOLIDATED STATEMENT OF CHANGES IN EQUITY
YEAR ENDING 31 OCTOBER 2019

	note	*Called up share capital (£)*	*Revaluation reserve (£)*	*Profit and loss account (£)*	*Equity attributable to the owners of the parent company (£)*	*Non-controlling interests (£)*	*Total (£)*
AT 1 NOVEMBER 2017		100,000	105,200	33,902,706	34,107,906	(757,853)	33,350,053
Profit for the year		—	—	13,421,939	13,421,939	565,547	13,987,486
Other comprehensive income for the year:							
Reclassification from revaluation reserve to profit and loss account		—	(105,200)	105,200	—	—	—
TOTAL COMPREHENSIVE INCOME FOR THE YEAR		—	(105,200)	13,527,139	13,421,939	565,547	13,987,486
Dividends paid and payable	*13*	—	—	(6,000,000)	(6,000,000)	(245,414)	(6,245,414)
Acquisition of subsidiary with minority interest		—	—	—	—	(224,811)	(224,811)
TOTAL INVESTMENTS BY AND DISTRIBUTIONS TO OWNERS		—	—	(6,000,000)	(6,000,000)	(470,225)	(6,470,225)
AT 31 OCTOBER 2018		100,000	—	41,529,845	41,529,845	(662,531)	40,867,314
Profit for the year		—	—	6,325,368	6,325,368	479,997	6,805,365
TOTAL COMPREHENSIVE INCOME FOR THE YEAR		—	—	6,325,368	6,325,368	479,997	6,805,365
Dividends paid and payable	*13*	—	—	(6,000,000)	(6,000,000)	(266,161)	(6,266,161)
Acquisition of subsidiary withminority interest		—	—	—	—	371,080	371,080
TOTAL INVESTMENTS BY AND DISTRIBUTIONS TO OWNERS		—	—	(6,000,000)	(6,000,000)	104,919	(5,895,081)
AT 31 OCTOBER 2019		100,000	—	41,755,213	41,855,213	(77,615)	41,777,598

COMPANY STATEMENT ON CHANGES IN EQUITY
YEAR ENDING 31 OCTOBER 2019

	note	*Called up share capital (£)*	*Profit and loss account (£)*	*Total (£)*
AT 1 NOVEMBER 2017		100,000	4,261,207	4,361,207
Profit for the year		–	9,000,000	9,000,000
TOTAL COMPREHENSIVE INCOME FOR THE YEAR		–	9,000,000	9,000,000
Dividends paid and payable	*13*	–	(6,000,000)	(6,000,000)
TOTAL INVESTMENTS BY AND DISTRIBUTIONS TO OWNERS		–	(6,000,000)	(6,000,000)
AT 31 OCTOBER 2018		100,000	7,261,207	7,361,207
Profit for the year		–	10,800,000	10,800,000
TOTAL COMPREHENSIVE INCOME FOR THE YEAR		–	10,800,000	10,800,000
Dividends paid and payable	*13*	–	(6,000,000)	(6,000,000)
TOTAL INVESTMENTS BY AND DISTRIBUTIONS TO OWNERS		–	(6,000,000)	(6,000,000)
AT 31 OCTOBER 2019		100,000	12,061,207	12,161,207

CONSOLIDATED STATEMENT OF CASH FLOWS

KELTBRAY GROUP (HOLDINGS) LIMITED
YEAR ENDED 31 OCTOBER 2019

	2019(£)	*2018(£)*
CASH FLOWS FROM OPERATING ACTIVITIES		
Profit for the financial year	6,805,365	13,987,486
Adjustments for:		
Depreciation of tangible assets	10,309,461	10,539,674
Amortisation of intangible assets	982,897	2,100,000
Loss on financial assets at fair value through profit or loss	2,509,795	546,700
Other interest receivable and similar income	–	(360,008)
Interest payable and similar expenses	523,293	441,602
Gains on disposal of tangible assets	(186,732)	(822,429)
Tax on profit	3,743,179	3,824,576
Accrued expenses	6,129,068	6,501,931
Negative goodwill release	(257,000)	(8,692,336)
Research & Development tax credit	(1,459,213)	(3,675,043)
Changes in:		
Stocks	(1,079,943)	29,796
Trade and other debtors	(21,815,993)	(22,822,726)
Trade and other creditors	9,777,804	6,532,666
CASH GENERATED FROM OPERATIONS	15,981,981	8,131,889
Interest paid	(523,293)	(441,602)
Interest received	–	360,008
Tax paid	(3,163,150)	(3,970,633)
NET CASH FROM OPERATING ACTIVITIES	12,295,538	4,079,662
Cash flows from investing activities:		
Purchase of tangible assets	(5,237,747)	(2,887,545)
Proceeds from sale of tangible assets	646,072	2,488,854
Acquisition of subsidiaries	(2,363,672)	–
Purchases of other investments	(4,999,703)	(1,777,250)
Proceeds from sale of other investments	3,415,143	4,771
Purchase of minority interest in subsidiaries	(1,105,502)	(954,750)
Cash acquired with subsidiaries	170,736	–
NET CASH USED IN INVESTING ACTIVITIES	(9,474,673)	(3,125,920)
Cash flows from financing activities		
Payments of finance lease liabilities	(7,108,440)	(7,807,467)
Dividends paid	(6,266,161)	(6,245,414)
Net cash inflow/(outflow) from related parties	1,969,464	(5,574,159)
Purchase of trade and assets	(1,298,500)	(500,000)
NET CASH USED IN FINANCING ACTIVITIES	(12,703,637)	(20,127,040)
NET DECREASE IN CASH AND CASH EQUIVALENTS	(9,882,772)	(19,173,298)
CASH AND CASH EQUIVALENTS AT BEGINNING OF YEAR	30,832,147	50,005,445
CASH AND CASH EQUIVALENTS AT END OF YEAR	20,949,375	30,832,147

NOTES TO THE FINANCIAL STATEMENTS

1. GENERAL INFORMATION

The company is a private company limited by shares, registered in England and Wales. The address of the registered office is St Andrew's House, Portsmouth Road, Esher, Surrey, KT10 9TA.

2. STATEMENT OF COMPLIANCE

These financial statements have been prepared in compliance with FRS 102, 'The Financial Reporting Standard applicable in the UK and the Republic of Ireland'.

3. PRINCIPAL ACTIVITIES

The group and its subsidiaries principal activities during the year were demolition, structural and geotechnical engineering, design of permanent and temporary works, reinforced concrete structures, piling, rail overhead line electrification and design, engineering and civils works on the railway infrastructure, asbestos removal, remediation and waste treatment and supply of plant and haulage services.

4. ACCOUNTING POLICIES

BASIS OF PREPARATION

The financial statements have been prepared on the going concern basis and in accordance with the historical cost convention. The financial reporting framework that has been applied in their preparation is the Companies Act 2006 and FRS 102 the Financial Reporting Standard applicable in the UK and Republic of Ireland issued by the Financial Reporting Council.

The financial statements have been prepared in Sterling, which is the functional currency of the entity.

GOING CONCERN

On 11 March 2020, the World Health Organisation declared a global pandemic in relation to Covid-19 and on 23 March 2020 the UK Government imposed lockdown measures which have had a significant impact on the economy generally and Keltbray Group operations during this time.

Whilst the group's rail and infrastructure businesses have been able to operate at largely normal levels throughout this period, the majority of the group's specialist contracting services businesses were closed during the early stages of lockdown, with a phased re-opening throughout April and May 2020.

The financial impact of the loss of revenue during this time has been mitigated by a number of measures taken, such as: implementation of an overhead reduction programme, use of Government job retention scheme, negotiation of rent holidays and asset finance capital repayment holidays, deferral of HMRC liabilities and renegotiation of existing banking facilities.

The directors have prepared revised forecasts incorporating the expected financial impact of Covid-19 up to 31 October 2022. Due to the ongoing economic uncertainty, there are inherent uncertainties in the range of outcomes of these forecasts, however they demonstrate that the group has sufficient funds to meet its obligations as they fall due.

The directors will continue to monitor developments and take appropriate mitigating action as needed. Nonetheless, the directors are confident that the actions taken, the strength of its client base and the strong balance sheet will enable the Group to trade through these difficult times and accordingly will continue to adopt the going concern basis when preparing the financial statements.

DISCLOSURE EXEMPTIONS

The parent company satisfies the criteria of being a qualifying entity as defined in FRS 102. As such, advantage has been taken of the following reduced disclosures available under FRS 102:

(a) Disclosures in respect of each class of share capital have not been presented.

(b) No cash flow statement has been presented for the company.

(c) Disclosures in respect of financial instruments have not been presented.

(d) No disclosure has been given for the aggregate remuneration of key management personnel.

CONSOLIDATION

The consolidated financial statements incorporate the financial statements of the company and all group undertakings. These are adjusted, where appropriate, to conform to group accounting policies. The results of companies acquired or disposed of are included in the profit and loss account after or up to the date that control passes respectively. As a consolidated profit and loss account is published, a separate profit and loss account for the parent company is omitted from the group financial statements by virtue of section 408 of the Companies Act 2006.

NON-CONTROLLING INTERESTS

Non-controlling interests in the net assets of consolidated subsidiaries are identified separately from the Group's equity. Non-controlling interests consist of the amount of those interests at the date of the original business combination and the non-controlling interest's share of changes in equity since the date of the combination.

The proportions of profit or loss and changes in equity allocated to the owners of the parent and to the non-controlling interests are determined on the basis of existing ownership interests and do not reflect the possible exercise or conversion of options or convertible instruments.

JUDGEMENTS AND KEY SOURCES OF ESTIMATION UNCERTAINTY

The preparation of the financial statements requires management to make judgements, estimates and assumptions that affect the amounts reported. These estimates and judgements are continually reviewed and are based on experience and other factors, including expectations of future events that are believed to be reasonable under the circumstances.

SIGNIFICANT JUDGEMENTS

The judgements (apart from those involving estimations) that management has made in the process of applying the entity's accounting policies and that have the most significant effect on the amounts recognised in the financial statements are as follows:

To determine whether there are indicators of impairment of the group's tangible and intangible assets. Factors taken into consideration in reaching such a decision include the economic viability and expected future financial performance of the asset.

KEY SOURCES OF ESTIMATION UNCERTAINTY

Accounting estimates and assumptions are made concerning the future and, by their nature, will rarely equal related actual outcome. The key assumptions and other sources of estimation uncertainty that have a significant risk of causing a material adjustment to the carrying amounts of assets and liabilities within the next financial year are as follows:

- Tangible fixed assets are depreciated over their useful lives taking into account residual values, where appropriate. The actual lives of the assets and residual values are assessed annually and may vary depending on a number of factors. In re-assessing asset lives, factors such as technological innovation, production life cycles and maintenance programmes are taken into account. Residual value assessments consider issues such as future market conditions, the remaining life of the asset and projected disposal values.

- Contract revenue and costs are recognised when the outcome of a construction contract can be reliably estimated. The percentage of completion method is used to value revenue and costs at year end; these are included in the profit or loss account. At year end, the company reviews the recoverability of amounts already recognised as contract revenue. If, on the review of market conditions and conversations with the client, the debtor is not considered to be recoverable, the unrecoverable amount will be expensed in the year. When, on review of programmes and costs to complete, it is deemed probable that total contract costs will exceed total contract revenue the expected loss is recognised as an expense immediately, which a corresponding provision for an onerous contract.

- Impairment of trade debtors is reviewed on an ongoing basis. The company trades with a large and varied number of customers on credit terms. Some debts due will not be paid through the default of a small number of customers. The company uses estimates based on historical experience and current information in determining the level of debts for which an impairment charge is required.

REVENUE RECOGNITION

Turnover represents net invoiced sales of services, excluding value added tax.

The majority of turnover is on long-term contracts. These contracts are assessed on a contract by contract basis and are reflected in the profit and loss account by recording turnover and related costs by reference to the stage of completion at the reporting date. Where the outcome of each long-term contract can be assessed with reasonable certainty before its conclusion, the attributable profit is recognised in the profit and loss accounts as the difference between the reported turnover and related costs for that contract. Provision is made for all known or expected losses.

For the waste remediation and recycling businesses, turnover is recognised on receipt of waste and for sites that involve restoration and landscaping, turnover is recognised on importation of soils.

Revenue from the rendering of services is measured by reference to the stage of completion of the service transaction at the end of the reporting period provided that the outcome can be reliably estimated. When the outcome cannot be reliably estimated, revenue is recognised only to the extent that expenses recognised are recoverable.

INCOME TAX

The taxation expense represents the aggregate amount of current and deferred tax recognised in the reporting period. Tax is recognised in profit or loss, except to the extent that it relates to items recognised in other comprehensive income or directly in equity. In this case, tax is recognised in other comprehensive income or directly in equity, respectively.

Current tax is recognised on taxable profit for the current and past periods. Current tax is measured at the amounts of tax expected to pay or recover using the tax rates and laws that have been enacted or substantively enacted at the reporting date. Deferred tax is recognised in respect of all timing differences at the reporting date. Unrelieved tax losses and other deferred tax assets are recognised to the extent that it is probable that they will be recovered against the reversal of deferred tax liabilities or other future taxable profits. Deferred tax is measured using the tax rates and laws that have been enacted or substantively enacted by the reporting date that are expected to apply to the reversal of the timing difference.

OPERATING LEASES

Rentals applicable to operating leases where substantially all of the benefits and risks of ownership remain with the lessor are charged against profits on a straight line basis over the period of the lease.

GOODWILL

Goodwill arising on an acquisition of a subsidiary undertaking is the difference between the fair value of the consideration paid and the fair value of the assets and liabilities acquired. Positive goodwill is capitalised and amortised through the profit and loss accounts over the directors' estimate of its useful economic life which ranges from 5 to 10 years. Impairment tests on the carrying value of goodwill are undertaken:

1. at the end of the first full financial year following acquisition;

2. in other periods if events or changes in circumstances indicate that the carrying value may not be recoverable.

Where the fair value of assets and liabilities acquired exceed the fair value of consideration, the excess is recorded as negative goodwill. Negative goodwill is attributed to the fair value of both non monetary and monetary assets acquired and is released to profit and loss in the periods in which the non monetary assets are recovered and in the periods monetary assets are expected to be benefitted.

AMORTISATION

Amortisation is calculated so as to write off the cost of an asset, less its estimated residual value, over the useful life of that asset as follows:

Goodwill
Over 5-10 years

Negative goodwill
Over the period that the benefit is expected to be realised

If there is an indication that there has been a significant change in amortisation rate, useful life or residual value of an intangible asset, the amortisation is revised prospectively to reflect the new estimates.

TANGIBLE ASSETS

Tangible assets are initially recorded at cost, and subsequently stated at cost less any accumulated depreciation and impairment losses.

IMPAIRMENT OF FIXED ASSETS AND GOODWILL

The need for any fixed asset impairment write down is assessed by comparison of the carrying value of the asset against the higher of net realisable value and value in use.

DEPRECIATION

Depreciation is calculated so as to write off the cost or valuation of an asset, less its residual value, over the useful economic life of that asset as follows:

Land and buildings	-	50 years
Plant and machinery	-	3-7 years
Fixtures and fittings	-	7 years
Motor vehicles	-	4 years
Computer equipment	-	3 years

INVESTMENTS

Fixed asset investments are initially recorded at cost and subsequently stated at cost less any accumulated impairment losses.

Listed investments are measured at fair value with changes in fair value being recognised in profit or loss.

Investments in subsidiaries are valued at cost less provision for impairment.

STOCKS

Stocks are valued at the lower of cost and net realisable value.

KELTBRAY GROUP (HOLDINGS) LIMITED
YEAR ENDED 31 OCTOBER 2019

FINANCE LEASES AND HIRE PURCHASE CONTRACTS

Assets held under finance leases are recognised in the statement of financial position as assets and liabilities at the lower of the fair value of the assets and the present value of the minimum lease payments, which is determined at the inception of the lease term. Any initial direct costs of the lease are added to the amount recognised as an asset. Lease payments are apportioned between the finance charges and reduction of the outstanding lease liability using the effective interest method. Finance charges are allocated to each period so as to produce a constant rate of interest on the remaining balance of the liability.

DIVIDENDS

Equity dividends are recognised when they become fully legally payable. Interim dividends are recognised when paid. Final equity dividends are recognised when approved by the shareholders at an annual general meeting.

DEFINED CONTRIBUTION PLANS

Contributions to defined contribution plans are recognised as an expense in the period in which the related service is provided.

CASH AND CASH EQUIVALENTS

Cash consists of cash on hand and demand deposits. There are no cash equivalents included in the financial statements.

OTHER FINANCIAL ASSETS

Other financial assets comprise of trade debtors, amounts recoverable on contracts, amounts due from group and related undertakings and other debtors. Other financial assets are initially measured at the undiscounted amount of cash receivable and are subsequently measured at amortised cost less impairment, where there is objective evidence of an impairment.

OTHER FINANCIAL LIABILITIES

Other financial liabilities include trade creditors, amounts owed to group and related undertakings and other creditors. Other financial liabilities are measured at invoice price, unless payment is deferred beyond normal business terms or is financed at a rate of interest that is not a market rate. In this case the arrangement constitutes a financing transaction, and the financial liability is measured at the present value of the future payments discounted at a market rate of interest for a similar debt instrument.

5. TURNOVER

Turnover arises from:

	2019(£)	2018(£)
Construction contracts	540,576,380	373,283,734
Sale of goods and services	22,839,796	25,966,156
	563,416,176	**399,249,890**

The whole of the turnover is derived from the United Kingdom. An analysis of turnover by business operation is given below:

	2019(£)	2018(£)
Specialist Contracting Services	396,342,801	284,477,702
Rail and Infrastructure Services	167,073,375	114,772,188
	563,416,176	**399,249,890**

6. OTHER OPERATING INCOME

	2019(£)	2018(£)
Research & Development tax credit	1,459,213	3,675,043
Other operating income	298,558	229,295
	1,757,771	**3,904,338**

7. OPERATING PROFIT

Operating profit or loss is stated after charging/crediting:

	2019(£)	2018(£)
Amortisation of intangible assets	982,897	2,100,000
Depreciation of tangible assets	10,309,461	10,539,674
Gains on disposal of tangible assets	(186,732)	(822,429)
Impairment of trade debtors	–	52,514
Lease costs	2,431,227	3,119,843
Impairment of investments	2,509,795	546,700
Exceptional (release)/costs	(1,601,985)	2,075,000
Release of negative goodwill	(257,000)	(8,692,336)

Exceptional costs in the prior year related to a rovision for a contractual dispute and the release in the current year occurred following the settlement of this dispute.

	2019(£)	2018(£)
Fees payable for the audit of the financial statements	150,000	140,000
Fees payable to the company's auditor and its associates for other services:		
Taxation compliance services	18,000	18,000
Taxation advisory services	44,784	177,108
Corporate finance services	59,925	-
Total	***122,709***	***195,108***

8. STAFF COSTS

The average number of persons employed by the group during the year, including the directors, amounted to:

	2019(Qtd)	2018(Qtd)
Production staff	1,064	855
Administrative staff	812	694
Sales staff	8	8
	1,884	**1,557**

The Aggregate payroll costs incurred during the year, related to the previous, were:

	2019(£)	2018(£)
Wages and salaries	97,775,513	84,588,132
Social security costs	11,160,821	9,718,829
Other pension costs	1,955,492	1,512,628
	110,891,826	**95,819,589**

9. DIRECTORS' RENUMERATIONS

The directors' aggregate renumeration in in respect of qualifying services was:

	2019(£)	2018(£)
Remuneration	4,116,968	5,009,398
Company contributions to defined contribution pension plans	2,190	10,011
	4,119,158	5,019,409

The number of directors who accrued benefits under company pension plans was as follows:

	2019(Qtd)	2018(Qtd)
Defined contribution plans	7	7

Remuneration of the highest paid director in respect of qualifying services:

	2019(£)	2018(£)
Aggregate renumeration	1,542,596	1,519,066

Key management personnel are those persons having authority and responsibility for planning, directing and controlling the activities of the Group. All key management are directors and their remuneration for the year has been disclosed above.

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10. OTHER INTEREST RECEIVABLE AND SIMILAR INCOME

	2019(£)	2018(£)
Interest on cash and cash equivalents	–	360,008

11. INTEREST PAYABLE AND SIMILAR EXPENSES

	2019(£)	2018(£)
Interest on banks loans and overdrafts	13,203	–
Interest on obligations under finance leases and hire purchase	510,090	441,602
	523,293	**441,602**

12. TAX ON PROFIT

	2019(£)	2018(£)
Current tax:		
UK current tax income	3,845,976	3,630,616
Adjustments in respect of prior periods	268,046	278,474
Total current tax	4,114,022	3,909,090
Deferred tax:		
Origination and reversal of timing differences	(370,843)	(118,432)
Impact of adjustments in respect of prior periods	–	33,918
Total deferred tax	(370,843)	(84,514)
Tax on profit	**3,743,179**	**3,824,576**

Reconciliation of tax expense

The tax assessed on the profit on ordinary activities for the year is higher than (2018: higher than) the standard rate of corporation tax in the UK of 19% (2018: 19%).

	2019(£)	2018(£)
Profit on ordinary activities before taxation	10,548,544	17,812,062
Profit on ordinary activities by rate of tax	2,004,223	3,384,292
Adjustment to tax charge in respect of prior periods	268,046	278,474
Effect of expenses not deductible for tax purposes	1,869,700	643,254
Effect of capital allowances and depreciation	24,625	53,525
Effect of revenue exempt from tax	(285,609)	(698,275)
Other reconciling items	(137,806)	163,306
Tax on profit	**3,743,179**	**3,824,576**

13. DIVIDENDS

Dividends paid during the year (excluding those for which a liability existed at the end of the prior year):

	2019(£)	2018(£)
Dividends paid on equity shares	6,000,000	6,000,000
Dividends paid to minority interests	266,161	245,414
	6,266,161	**6,245,414**

14. INTANGIBLE ASSETS

	Goodwill (£)	Negative goodwill (£)	Total (£)
Cost			
At 1 November 2018	8,332,819	(11,729,663)	(3,396,844)
Additions	4,220,643	(5,967)	4,214,676
Consideration adjustment	–	2,084,065	2,084,065
At 31 October 2019	***12,553,462***	***(9,651,565)***	***2,901,897***
Amortisation			
At 1 November 2018	7,552,358	(8,692,336)	(1,139,978)
Charge for the year	982,897	(257,000)	725,897
At 31 October 2019	***8,535,255***	***(8,949,336)***	***(414,081)***
Carrying amount			
At 31 October 2019	***4,018,207***	***(702,229)***	***3,315,978***
At 31 October 2018	780,461	(3,037,327)	(2,256,866)

The company has no intangible assets. Goodwill additions during the year relate to the following:

The group acquired shares in Kerr Property Holdings Limited and Keltbray Lagan Power Limited. In addition, the group also acquired the trade and assets of Voltcom.

Details of these acquisitions are outlined in Note 27.

The group also acquired the non-controlling interest in subsidiary undertakings Keltbray Structures Limited and Keltbray Environmental Limited for consideration of £1,105,502.

15. TANGIBLE ASSETS

	Land and buildings (£)	Plant and machinery (£)	Fixtures, fittings and equipment (£)	Motor vehicles (£)	Total (£)
Cost					
At 1 November 2018	6,382,799	64,407,331	4,675,401	1,467,844	76,933,375
Additions	248,514	12,355,361	777,880	361,178	13,742,933
Consideration adjustment	(409,935)	(1,600,663)	(861,766)	(289,141)	(3,161,505)
At 31 October 2019	***6,221,378***	***75,162,029***	***4,591,515***	***1,539,881***	***87,514,803***
Depreciation					
At 1 November 2018	1,906,266	33,632,616	2,627,877	695,695	38,862,454
Charge for the year	240,687	9,010,965	752,382	305,427	10,309,461
Disposals	(409,935)	(1,312,933)	(861,766)	(117,531)	(2,702,165)
At 31 October 2019	***1,737,018***	***41,330,648***	***2,518,493***	***883,591***	***46,469,750***
Carrying amount					
At 31 October 2019	***4,484,360***	***33,831,381***	***2,073,022***	***656,290***	***41,045,053***
At 31 October 2018	4,476,533	30,774,715	2,047,524	772,149	38,070,921

KELTBRAY GROUP (HOLDINGS) LIMITED
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FINANCE LEASES AND HIRE PURCHASE CONTRACTS

Included within the carrying value of tangible assets are the following amounts relating to assets held under finance leases or hire purchase agreements:

	Plant and machinery (£)	Motor vehicles (£)	Total (£)
At 31 October 2019	18,453,330	—	18,453,330
At 31 October 2018	23,871,057	356,497	24,227,554

16. INVESTMENTS

	Listed investments (£)	Other loans (£)	Total (£)
Cost			
At 1 November 2018	3,358,148	225,000	3,583,148
Additions	4,999,703	–	4,999,703
Disposals	(3,590,143)	–	(3,590,143)
At 31 October 2019	***4,767,708***	***225,000***	***4,992,708***
Impairment			
At 1 November 2018	1,123,454	–	1,123,454
Disposals	(175,000)	–	(175,000)
Impairment losses	2,509,794	–	2,509,794
At 31 October 2019	***3,458,248***	–	***3,458,248***
Carrying Amount			
At 31 October 2019	***1,309,460***	***225,000***	***1,534,460***
At 31 October 2018	2,234,694	225,000	2,459,694

Company	Share in group undertakings(£)
Cost	
At 1 November 2018	523,427
Additions	3,575,500
At 31 October 2019	***4,098,927***
Impairment	
At 1 November 2018	–
At 31 October 2019	–
Carrying amount	
At 31 October 2019	***4,098,927***
At 31 October 2018	523,427

The company holds directly or indirectly ordinary share capital in the following companies:

	Country of incorporation	*%*	*Nature of business*
Keltbray Limited	England & Wales	100%	Demolition and civil engineering
Keltbray Aspire Limited	England & Wales	100%	Overhead line engineering for the rail network
Keltbray Plant Limited	England & Wales	100%	Supply of plant to the construction industry
Keltbray Environmental Materials Management Limited	England & Wales	100%	Ground remediation
Keltbray Environmental Ltd	England & Wales	100%	Waste recycling
Wentworth House Rail Systems Limited	England & Wales	100%	Designers of rail overhead electrification
Wentworth House Partnership Limited	England & Wales	65%	Civil engineering design
KML Occupational Health Limited	England & Wales	50%	Undertaking of occupational health services
Keltbray Structures Limited	England & Wales	100%	Construction of commercial buildings
Keltbray International Ltd	Canada	100%	Overhead line engineering for the rail network
Keltbray Lagan Power Limited	England & Wales	75%	Electrical installation
Keltbray Property Investment Limited	England & Wales	100%	Property investment
Kerr Property Holdings Limited	England & Wales	88%	Property investment
Cedarr Properties Limited	England & Wales	88%	Property investment
Kerr Prop One Limited	England & Wales	88%	Property investment
Kerr Prop Two Limited	England & Wales	88%	Property investment
Qualified Recruitment Limited	England & Wales	75%	Dormant
Keltbray Demolition Limited	England & Wales	100%	Dormant
Keltbray Building Services Limited	England & Wales	100%	Dormant
Saturn Land Limited	England & Wales	70%	Dormant
Keltbray AWS Limited	England & Wales	50%	Dormant

During the year the group acquired Keltbray Lagan Power Limited, Kerr Property Holdings Limited, Cedarr Properties Limited, Kerr Prop One Limited and Kerr Prop Two Limited. In addition, the group acquired the remaining non-controlling interest in Keltbray Structures Limited and Keltbray Environmental Limited.

LISTED INVESTMENTS

At 31 October 2019 the market value of these investments was £1,309,460.

17. STOCKS

Raw materials and consumables

Group		Company	
2019 (£)	**2018 (£)**	**2019 (£)**	**2018 (£)**
2,974,751	1,533,697	–	–

There is no material difference between the replacement cost of stocks and the amounts stated above.

KELTBRAY GROUP (HOLDINGS) LIMITED
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18. DEBTORS

Debtors falling due within one year are as follows:

	Group		Company	
	2019 (£)	**2018 (£)**	**2019 (£)**	**2018 (£)**
Trade debtors	64,210,208	52,731,539	–	–
Amounts owed by group undertakings	–	–	17,415,405	6,840,055
Amounts owed by related parties	2,769,271	2,550,278	–	–
Prepayments and accrued income	5,057,405	4,480,664	–	–
Amounts recoverable on contracts	62,877,763	51,362,482	–	–
Other debtors	2,115,631	2,058,973	–	–
	137,030,278	***113,183,936***	***17,415,405***	***6,840,055***

Debtors falling due after one year are as follows:

	Group		Company	
	2019 (£)	**2018 (£)**	**2019 (£)**	**2018 (£)**
Amounts owed by related parties	10,516,413	12,718,841	–	–

19. CREDITORS: AMOUNTS FALLING DUE WITHIN ONE YEAR

	Group		Company	
	2019 (£)	**2018 (£)**	**2019 (£)**	**2018 (£)**
Trade creditors	56,669,238	23,402,848	–	–
Amounts owed to group undertakings	–	–	8,600,850	–
Accruals and deferred income	90,338,927	97,928,483	–	–
Corporation tax	1,647,281	2,155,596	–	–
Social security and other taxes	2,949,951	10,595,789	–	–
Obligations under finance leases and				
hire purchase contracts	6,448,667	5,429,325	–	–
Director loan accounts	81,751	95,722	–	–
Obligation to construct a golf course	–	18,500	–	–
Other creditors	5,598,657	4,165,028	252,275	2,275
	163,734,472	***143,791,291***	***8,853,125***	***2,275***

SECURED AND OTHER LOANS:
Other creditors includes secured loans totalling £1,077,884 (2018: £479,059) which are secured and repayable within 12 months at an average interest rate of nil.

ACCRUALS:
Included within accruals and deferred income is £60,430,753 (2018: £74,149,377) of contract accruals.

ASSETS HELD UNDER FINANCE LEASE:
The assets held under finance leases are secured upon the assets to which they relate.

20. CREDITORS: AMOUNTS FALLING DUE AFTER MORE THAN ONE YEAR

	Group		Company	
	2019 (£)	2018 (£)	2019 (£)	2018 (£)
Obligations under finance leases & hire purchase contracts	12,208,737	12,661,953	–	–
Other creditors	750,000	–	500,000	–
	12,958,737	***12,661,953***	***500,000***	–

ASSETS HELD UNDER FINANCE LEASE:
The assets held under finance leases are secured upon the assets to which they relate.

21. FINANCE LEASES AND HIRE PURCHASE CONTRACTS

The total future minimum lease payments under finance leases and hire purchase contracts are as follows:

	Group		Company	
	2019 (£)	2018 (£)	2019 (£)	2018 (£)
Not later than 1 year	6,448,667	5,429,325	–	–
Later than 1 year and not later than 5 years	12,208,737	12,661,953	–	–
	18,657,404	***18,091,278***	–	–

22. PROVISIONS

	Deferred Tax (Note 23) (£)
At 1 November 2018	(778,188)
Credit against provision	(370,843)
Transfers	44,532
At 31 October 2019	**(1,104,499)**

The company does not have any provisions.

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23. DEFERRED TAX

The deferred tax included in the statement of financial position is as follows:

	Group		Company	
	2019 (£)	**2018 (£)**	**2019 (£)**	**2018 (£)**
Included in provisions (note 22)	(1,104,499)	(778,188)	–	–

The deferred tax account consists of the tax effect of timing differences in respect of:

	Group		Company	
	2019 (£)	**2018 (£)**	**2019 (£)**	**2018 (£)**
Accelerated capital allowances	(627,450)	(500,568)	–	–
Provisions	(477,049)	(277,620)	–	–
	(1,104,499)	**(778,188)**	**–**	**–**

24. EMPLOYEE BENEFITS

DEFINED CONTRIBUTION PLANS
The amount recognised in profit or loss as an expense in relation to defined contribution plans was £1,955,492 (2018: £1,512,628).

25. CALLED UP SHARE CAPITAL

Issued, called up and fully paid

	2019		2018	
	No.	**(£)**	**No.**	**(£)**
A Ordinary shares of £1 each	75,000	75,000	49,000	49,000
B Ordinary shares of £1 each	25,000	25,000	50,000	50,000
C Ordinary shares of £1 each	–	–	1,000	1,000
	100,000	**100,000**	**100,000**	**100,000**

26. RESERVES

Profit and loss account - This reserve records retained earnings and accumulated losses.

27. BUSINESS COMBINATIONS

On 3 April 2019, the group acquired 87.5% of the issued share capital of Kerr Property Holdings Limited for consideration of £970,300.

On 29 June 2019, the group acquired 75% of the issued share capital of Keltbray Lagan Power Limited for consideration of £1,643,372.

On 2 August 2019, the group acquired the trade and assets of Voltcom for consideration of £1,298,500.

The fair value of assets and liabilities acquired are as follows:

	Kerr Property Holdings Limited (£)	Keltbray Lagan Power Limited (£)	Voltcom (£)
Tangible fixed assets	–	393,620	437,000
Stock	–	77,111	284,000
Trade and other debtors	4,049,022	325,133	1,236,622
Cash	43,028	127,708	–
Trade and other creditors	(4,597,779)	(369,402)	(787,426)
Deferred tax	–	(44,558)	–
Non-controlling interest	63,216	(127,403)	–
Goodwill	1,412,813	1,261,163	128,304
Total	***970,300***	***1,643,372***	***1,298,500***

28. OPERATING LEASES

The total future minimum lease payments under non-cancellable operating leases are as follows:

	Group		Company	
	2019 (£)	2018 (£)	2019 (£)	2018 (£)
Not later than 1 year	2,431,227	3,119,843	–	–
Later than 1 year and not later than 5 years	6,635,314	7,896,728	–	–
Later than 5 years	2,835,020	4,193,283	–	–
	11,901,561	***15,209,854***	–	–

29. CONTINGENCIES

Group bank borrowings are held with Santander UK Plc. There is a cross-company guarantee in place between Keltbray Group (Holdings) Limited, Keltbray Limited, Keltbray Structures Limited, Keltbray Aspire Limited, Keltbray Plant Limited, Keltbray Environmental Ltd and Keltbray Environmental Materials Management Limited. In addition, the bank holds a debenture over all of the assets and undertakings of each of the aforementioned companies.

30. EVENTS AFTER THE END OF THE REPORTING PERIOD

On 11 March 2020, the World Health Organisation declared a global pandemic in relation to Covid-19 and on 23 March 2020 the UK Government imposed lockdown measures which have had a significant impact on the economy generally and Keltbray Group operations during this time.

Whilst the group's rail and infrastructure businesses have been able to operate at largely normal levels throughout this period, the majority of the group's specialist contracting services businesses were closed during the early stages of lockdown, with a phased re-opening throughout April and May 2020.

The financial impact of the loss of revenue during this time has been mitigated by a number of measures taken, such as: implementation of an overhead reduction programme, use of Government job retention scheme, negotiation of rent holidays and asset finance capital repayment holidays, deferral of HMRC liabilities and renegotiation of existing banking facilities.

The directors have prepared revised forecasts incorporating the expected financial impact of Covid-19 up to 31 October 2022. Due to the ongoing economic uncertainty, there are inherent uncertainties in the range of outcomes of these forecasts, however they demonstrate that the group has sufficient funds to meet its obligations as they fall due.

The directors will continue to monitor developments and take appropriate mitigating action as needed. Nonetheless, the directors are confident that the actions taken, the strength of its client base and the strong balance sheet will enable the Group to trade through these difficult times and accordingly will continue to adopt the going concern basis when preparing the financial statements.

31. DIRECTORS' ADVANCES, CREDITS AND GUARANTEES

At the balance sheet date, there is an amount owing to directors totalling £81,751 (2018: £95,722) in respect of advances made by the directors to the company throughout the current and previous year. The loans are not secured, interest free and repayable upon demand.

32. RELATED PARTY TRANSACTIONS GROUP

The group has taken advantage of the exemption contained in paragraph 33.1A of FRS 102 not to disclose any transactions with its 100% owned subsidiary undertakings on the grounds that the consolidated accounts of Keltbray Group (Holdings) Limited are publicly available.

At the year end the group had the following balances with related parties:

2019		2018	
Debtors(£)	**Creditors(£)**	**Debtors(£)**	**Creditors(£)**
14,013,786	441,751	14,914,335	100,381

During the year the group undertook the following transactions with related parties:

	2019(£)	2018(£)
Sales to related parties	6,373,010	832,099
Purchases from related parties	8,279,128	481,766
Recharges to related parties	5,486,026	7,137,142

The related parties involved in the aforementioned transactions are related by virtue of ultimate common shareholders and directors.

No further transactions with related parties were undertaken such as are required to be disclosed under FRS 102 Section 33.

The company has taken advantage of the exemption contained in paragraph 33.1A of FRS 102 not to disclose any transactions with its 100% owned subsidiary undertakings on the grounds that the consolidated accounts of Keltbray Group (Holdings) Limited are publicly available.

No transactions with related parties were undertaken such as are required to be disclosed under FRS 102 Section 33.

33. CONTROLLING PARTY

The company is a 75% owned subsidiary of ultimate parent company Keltbray Group Limited, a company registered in England and Wales. The group's ultimate controlling party is B Kerr who is the majority shareholder of the ultimate parent company Keltbray Group Limited.

keltbray Group

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